THE Freeman

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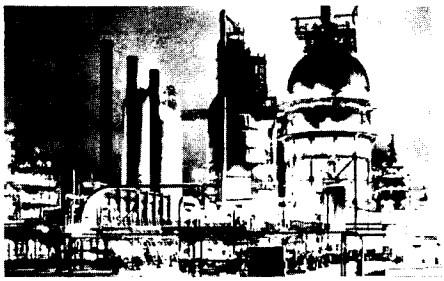

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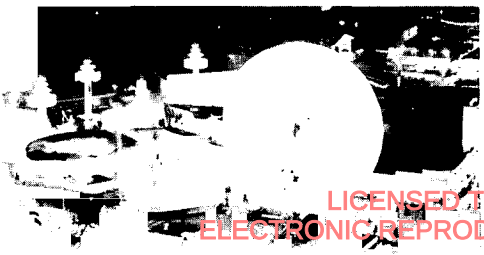

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THE Freeman

A MONTHLY JOURNAL OF IDEAS

AUGUST 1960 Vol. 10 No. 8

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THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited *in any amount — $5.00 to $10,000 — as the means of* maintaining and extending the Foundation's work.

Accepted as controlled circulation publication at Irvington, N. Y., with additional entry at New York, N. Y. Copyright, 1960, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for $1.00; 25 or more, 20 cents each.

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How to WIN a War

ED LIPSCOMB

IF ALL THE WORDS which have been written and spoken about the Cold War with Russia could be placed end to end, they probably would match the length of an average satellite's orbit.

Every newspaper you read, every newscast you hear, gives the Cold War day-to-day attention. Authors write books about it; politicians issue statements about it; and men on public platforms bring it into every presentation.

The reason is simple. Here is an international conflict which everyone agrees will determine the nature of civilization and the conditions of human life for generations to come. From the standpoint of the United States, we must either win this war or witness the death of our nation.

I wish I could tell you how we are doing with it. Intelligent appraisal, however, is extremely difficult. Consider the matter of Russia's actual strength. I know, of course, that the Communists have been making imposing claims, but I also know that with Communists it is a matter of fundamental principle to lie. They have emphasized in their party literature since the days of Karl Marx that "truth" is anything which promotes the cause of communism. Evasion or denial of unwanted facts and the invention of plausible replacements for them are considered to be proof of patriotism rather than of perfidy.

I know that the Soviets have launched some satellites, and that strategically their progress here has been impressive; but I also have read that their moon shot was so arranged that no reputable tracking station could confirm or deny they even tried one; and I find that a responsible professional

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says their moon photographs are entirely a hoax. I know that their missiles are a fearful menace, and am confident they fired a big one into the Pacific, but again their claims of power and accuracy must be accepted or rejected on communist word alone.

Surely they have large jets, since such a plane brought Khrushchev here; yet I understand that no airline in the world has ordered one for its own use, which suggests that a major aviation official was correct when he said that these planes are too inefficient and uneconomical for serious consideration.

They beat their chests and boast that they are going to overtake us in industrial production, with all the military capability this suggests; but even their own figures show that despite claims of mechanization, it still takes one farmer to feed himself and one other man, whereas an American farmer feeds himself and twenty-two.

How Strong Are We?

It is almost as difficult to feel reasonably intelligent concerning our own military strength. Judged on the basis of speeches by Senators and Congressmen trying to make political capital out of the defense issue – or statements from military officials seeking larger appropriations and greater control – one would have to conclude that we are years behind in missiles, that our strategic air force is archaic, that our warships are sitting ducks, and that in general our position is dangerous and deplorable.

Yet I have heard the Chief of Naval Operations assure a group of officers that we are capable of destroying 70 per cent of the total population of Russia within 24 hours; and I have heard another admiral say that he was criticized by a congressional committee for insisting that we already have all the submarines we could possibly use for the destruction of enemy shipping.

Adding to the difficulty of intelligent appraisal by folks like you and me is the soap opera atmosphere of overdramatization which has become standard procedure with most of our editorial fraternity. The newscaster must get controversy into his program, even to his tone of voice; and daily headlines must stir the emotions whether anything of importance has happened or not.

When I add up the speeches and statements, the reports in print and on the air, a limited amount of actual knowledge, and considerable thought and study, I still must admit my earlier statement that I simply cannot give you a very intelligent appraisal of our

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current status in this fateful conflict with communism that means national survival or servitude for us all.

On the Home Front

I can, however, tell you *positively* how we can win it – the *only* way we can win it – and it is not merely by appropriating more billions for defense, or even by insisting that we get as much defense as we already are paying for.

We can win it only by winning a second war – a decisive war – that is going on inside our own boundaries. It is a war between forces which would keep us powerful by maintaining the initiative, the independence, and the self-respect of our individual citizens, and forces which through exaltation of the godhood of the group would assure the economic cataclysm and accompanying ideological collapse on which our foreign enemy depends to leave us and our allies incapable of successful resistance.

Amazingly, we tend to underemphasize the relationship between the intercontinental Cold War and the conflict within our own country. We have become so conscious of comparisons in military strength and international influence that we fail to follow the signs and significance of our victories and defeats on a far more important front. We tend to become so afraid of Moscow that we are not sufficiently afraid of Washington.

This is the war which every major communist leader has predicted we would lose, and in losing it insure our national destruction. Marx, Lenin, Stalin – even Khrushchev as late as his visit last year – all have declared again and again that *this* would be the pattern of our disappearance as a world power.

I said I could not tell you much about how we are doing in the military race with Russia. I find no such problem in connection with the war here at home. *We are losing it.* Let me call your attention to just three areas of evidence.

We March Toward Insolvency

First is our over-all trend. All of us know that it is definitely and rapidly in the exact direction our communist opponents have so often insisted would bring our total defeat.

The trend, for example, is toward national insolvency. We take counterfeit comfort in the fact that we are staying within a so-called "temporary" debt limit of $295 billion – a limit that recently was raised three times in one year. There is irony, almost cynicism, however, in the fact that this is merely the acknowledged debt. Our

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real federal debt – in the form of fixed obligations already definitely established – amounts to $750 billion.

Even if we accept the acknowledged figure, then add the debts of state and local governments, and finally private debts, we come out with a total equivalent to approximately twice the current market value of every single tangible asset in the United States – the land, the mines, factories, machinery, office buildings, residences, livestock . . . everything.

You would think that such a financial situation – plus the warning inherent in the loss of half the purchasing power of our money – plus the fact that foreign countries are now holding 17 billion liquid dollars, half of them subject to demand in gold – plus the fact that the federal budget contains built-in increases exceeding $2 billion for the year ahead – would lead to some sort of serious concern for economy.

On the contrary, in the last session of Congress, there were twenty major bills introduced which alone would have added between $50 and $60 billion a year to the present total of federal spending.

Our slide toward insolvency is being given further impetus by the flight of some of our industries to foreign lands, and the weakening of others by steep increases in imports from abroad.

You know the story – in sewing machines, in electronic equipment, in office machines. You know that half the barbed wire and half the plywood used by the entire American market now come from overseas. You know that imports of cotton textiles have increased 216 per cent in five years, and that foreign steel is coming into Cleveland at $55.00 a ton less than the price of steel produced right there in the same city.

You would think that the leadership of American labor would be alarmed. Yet the recent bitter steel strike was settled on the basis of a wage increase which, if applied to all employed persons in the country, would raise the total cost of domestically produced goods and services more than $45 billion a year.

Decay of Personal Incentive

The trend also is toward destruction of incentive.

A man of exceptional competence and ability finds that the more hours he works the less he earns per hour of effort, until he reaches the point where he can keep less than one-tenth of each additional dollar.

The investor in corporate equities finds that half his profits are absorbed before he sees them and

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that a further major portion must be surrendered after that.

The factory worker finds that if he exceeds the approved rate of production, he is disciplined by his union or frowned upon by his fellows, and that his progress depends on the passage of time rather than on his energy, his intelligence, or the merit of his performance.

The man who works intermittently qualifies for public compensation between jobs. If his earnings are small enough, he qualifies for admission into a communal housing unit. If he stops work at 65, regardless of health and ability, he qualifies for Social Security payments.

From the mental anesthesia of the television screen to the use of ever-greater leisure for the modern equivalents of stick-whittling and cracker-barrel-sitting, we see around us a glorification of mediocrity and deification of the unproductive which reflect loss of intellectual ambition, decline of crusading spirit, and decay of personal incentive.

Political Paternalism

The trend also is toward perpetual programs of private life by public plan.

Again and again we have seen the whole sorry story of political paternalism paraded before us – the design for the nursemaid state – the plan for government by fairy godmother – the promise of heaven-on-earth through ballots cast on Capitol Hill. We are familiar with the philosophy that the answer to every difficulty is more legislation or larger figures in appropriations bills – that all we need to do is turn over our problems, our pay checks, and our independence to political agents, and everything we should have will be provided.

Under such a philosophy, we have seen federal outlays for civilian programs increase 83 per cent in six years of a so-called *conservative* Administration; and we already have reached the point where 40 million people – who with their families account for roughly half our total population – now receive checks from the national treasury.

A Vested Interest in Conflict

The trend, then – the trend toward national insolvency, toward destruction of personal incentive, toward accomplished but unadmitted socialization and regimentation – this is a major reason for serious, even desperate, concern over our home-front war for survival.

A second reason is one we do not hear much about. It is the extent of our vested interest in a

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high level of international tension, and in the waste and extravagance that accompany it. The connection between our posture of prosperity and a continuation of Russian sword-rattling is so obvious that I have wondered at times why the coyotes of the Kremlin do not seriously array themselves in sheep's clothing, agree to drastic disarmament, abandonment of any form of aggression, and establishment of an international atmosphere of peace and serenity. Certainly I can think of no quicker or surer way in which they could throw us into the financial tizzy and tail spin they so greatly desire.

Think about these vested interests for a moment. The most powerful, perhaps, is the interest of our bureaucracy – the hundreds of thousands of officials and clerks required to give away billions of dollars, prepare multitudinous programs, and operate all manner of red tape in the much-maligned name of defense. In a wholly relaxed atmosphere, what would happen to military aid for our allies, the bulging State Department, the Office of Civil Defense, and the most extensive peacetime fighting establishment we have ever sought to maintain? Half the federal budget, more than half our federal employees, and arguments for everything from subsidized bomb shelters to subsidized training for scientists would no longer be justified.

Think of industry – the contracts for airplanes, missile parts, guns, and equipment – the contracts for military construction, housing units, and a multibillion-dollar highway system promoted in the name of defense mobility – the contracts for building ships and submarines, and even for sirens in every city.

Think of labor – the political demands of the unemployed – the quick absorption or bankruptcy of public compensation funds – wage scales no longer buttressed by high-priced military buying.

If the economic impact of peace did not bring promptly the full financial cataclysm Mr. Khrushchev predicts, he would need only to wait a little longer while we adopted emergency boondoggling measures, arranged for displaced civil servants and industrial casualties to be put on public or subsidized payrolls, and brought our national budget back near its present level. Here would be the moment in history for him and his friends to throw off their sheep's attire and revert to wolfhood, so that we in turn would undertake to pile another major defense program on top of our newly-achieved socialistic utopia, with an outcome he could readily depend upon.

The point here, however, is not

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to speculate on possibilities, but to express the conviction that the tremendous vested interest of influential and important American groups in the maintenance of international tension – and the part which that interest plays in giving our economy a hue of rosiness – is a second reason for concern on the domestic front.

Matching Our Words with Deeds

A third and tremendously significant reason why I say we are losing the home war is that practically nobody is fighting wholly, sincerely, and unreservedly on the side of the forces that would keep us strong. Our defense is dependent largely on men and groups who either fight on one side one day and the other the next, or who fight with one hand while accepting bribes from the opposition with the other. Since such divided loyalty invites defeat, I want to explain exactly what I mean.

If you will ask around, you will find that practically everybody is opposed to national insolvency, to destruction of incentive, and to political domination of private and economic life. You will find that he is opposed to pre-emptive statism, and to the fiscal irresponsibility that can bring it upon us. At least he will say he is, and the chances are he really is – except the part that applies to his own community or puts a few temporary extra dollars into his personal pocket.

I can cite you illustration after illustration, and you can add more from your own experience, of the howls that go up when a man faces the specific application, to his own pocketbook, of the very principles of national strength to which he claims allegiance.

Try to close a military installation because of the economies which can be made by consolidating it with one in another area – try to cut a subsidy of any kind – try to eliminate the expense of federal involvement in real estate mortgages, or pork-barrel projects, or loans at less than cost – try even to merge two offices in the same city if the merger reduces payrolls . . . and you will hear screams from sources that range from corporation heads and bank presidents to the lowliest tenants of public apartments, depending entirely on who is personally touched.

I would like to make a statement here which I want you to correct, if I am wrong. I do not know of a single businessmen's organization, of any kind, which customarily passes resolutions on public policies, whose record will not reveal support for programs or projects which are part of our trend toward defeat.

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Here, then, are three reasons for solid conviction that as of this moment we are losing, and losing at a fearsome pace, the second war – the domestic war – on which the outcome of the Cold War depends: (1) the trend toward exactly the conditions which our mortal enemies have predicted would bring our defeat; (2) the vested interest of large and influential groups in the perpetuation of international tension; (3) the absence of sincere, honest, wholehearted support for the simple principles and practical policies that would keep us strong.

The War Inside Each of Us

The most vital question which confronts us, however, is not that of losses already sustained in this second war, or even the question of our current status, but the all-decisive question, "Can we win it?"

If we can, and if we do – if we are truly victorious here – we will defeat foreign Communists and international gangsters on any front they choose, be it military, economic, diplomatic, ideological, or what you please. We will confound the hopes and contradict the prophecies of our enemies, and earn the respect and admiration of our friends.

How, then, can we win this second war? We can win it, and win it only, if you and I and others like us can win still another war – a third war. It is the war which each one of us must fight inside himself.

We may not have thought about it much – we may balk at even admitting it – but inside each of us, way down where we really live, there is going on a personal miniature of the domestic war I have just described. It is a war to determine which side we are really on – not which side we say we are on, but the side we really support.

Here is a war where it is impossible for you or me to be spectators or bystanders. It is impossible even to be neutral, for we ourselves are the battleground. Our decisions, and ours only, will determine the outcome.

Arrayed on one front in this personal war is a tremendous force of animal inclinations and natural desires – the appeal of immediate benefits, business advantages, or personal profits from political programs. Here also is the power of inertia. Here is reluctance to get involved. Here is temptation to kid ourselves into believing that just one man doesn't make any difference – or that because we don't get a direct dole or handout every month we are not a part of the problem – or even that we and our fellow-Americans are somehow immune to the age-

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old and unchangeable law of cause and effect.

On the other side are our conscience, our judgment, and our knowledge that throughout all history no nation has ever survived which continued much farther than we already have come down the road we are traveling.

Neither I nor any other man can tell you how you are coming along with your own personal war. I can, however, tell you how you can win it, and in winning it achieve personal invincibility which no amount of legislation can bring, and no amount of persecution by either fellow-citizens or outsiders can overthrow.

Practice What We Believe

First, you can practice what you profess to believe. You can apply in private and business life the principles you publicly espouse. Three out of every four average Americans, when asked about the principles they support, will give the answers which you and I know to be right. Among businessmen, the figure is more likely to be 4 out of 4.

Hence, I say that the first battle you and I must win is to practice what we profess to believe. To do otherwise means not only to lose our personal war, but through our hypocrisy to influence others to lose theirs also. Just as the temperance lecturer who gets drunk is a greater liability to his cause than is the admitted barfly, so the businessman who preaches free enterprise while he participates in programs of political intervention is a greater liability than the admitted socialist.

You can join the WCTU, vote for prohibition, circulate resolutions to close liquor stores, and wear a tall black hat and swallow-tailed coat complete with cane, but your neighbor still will not think you believe in temperance if he sees you staggering around your yard or patio at cocktail time. You cannot convince him that you are opposed to statism if you support resolutions calling for federal funds for local projects, or make him think you believe in individual freedom and independence if you expect Washington to underwrite, directly or indirectly, your personal or business risks.

Unless you and I are willing to fight and win this very first battle, all three of the wars I have mentioned are already lost as far as we personally are concerned.

We Can Help Those Around Us

The second thing you can do is to initiate, in your own particular area of influence and knowledge – be it large or small – a conscious effort to help those about you to win their personal wars also.

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You and I may not be able to do a thing about the personal wars of people in distant places. We may not be able to help everyone in our own state, or even our home town. But there is not one of us who cannot be effective, both by example and by precept, among the people we see and talk to every day.

How much good will you be able to do individually? I do not know, but I know that neither you nor I nor any other man on earth can do anything *except* individually. I further know that we cannot wash out our responsibility with a signature on a bank check, when our brains and talents and personalities are more important than our money. And I know still further that if you will work among those about you with the aggressive, intelligent, result-getting leadership which is you at your best – if you will work with the same crusading spirit, the fire and the zeal, the loyalty and drive which you know to be typical of a dedicated Communist – you will be amazed at what you can do, and you will be amazed at how overwhelming will be your own inner victory.

How *many* of us will have to win our personal wars – in order to win the bigger war on the national front, and in turn the Cold War itself?

The answer to that depends on the completeness of our personal victories and the amount of enthusiasm with which that conquest inspires us. Not many are needed if we are sufficiently on fire. Karl Marx, one man, was a misanthropic ne'er-do-well. Saint Paul was a puny epileptic or otherwise physically handicapped man. Hitler was a psychopathic paper hanger in Austria. Certainly no reader of these words would consider himself inferior to any of them – or to any of the twelve whom Christ himself assembled – *before* these became dedicated men. Perhaps we cannot match them in dedication, but the degree to which we succeed will determine the number who are needed.

Personal Victories Needed

Here, then, is our war – a war that is going to decide the nature of civilization, and the conditions of human life for generations to come. I have broken it into three parts, but for you and me it is *not* in reality three wars. It is one war. The outcome of it is wholly dependent on whether or not you and I and others like us are victorious on the battlefront that lies inside ourselves.

I won't win, no matter how the domestic front and the international front come out, if I don't win my personal war and contribute my utmost to similar vic-

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tories for those around me. And I cannot be beaten, no matter how other fronts come out, if I know that I have applied to my daily life the principles in which I believe, and have given my utter best to those within my reach.

For my own part, I can give you my answer. I am going to win my war, and I am going to try so hard to help others to win theirs that I am going to know, down inside, that if everyone who reads this did the same, along with others across this land who feel and profess exactly what we do, there is no question as to the outcome of both our domestic and our Cold War campaigns.

May I urge that you join me in the prayer and determination that we, each through his own victory and the effort which that victory inspires, may achieve the invincibility of soul which makes personal defeat impossible – that together we shall make a vital and conceivably decisive contribution to our cause and to our country – and that with others of like purpose and spirit we may demonstrate to all the world that an individual man must be respected, *when* he earns the right to respect himself.

This is the war we are in. This is the way to win it. ◆

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IDEAS ON LIBERTY

TRUTH

IN THESE DAYS of fear and confusion let us remember that the endless repetition of a lie or the multiplication of an empty promise does not make a truth. Truth is something more than the greatest common denominator of mass ignorance and greed. It is never determined or demonstrated by majorities or pluralities of popular error and appetite. Ultimately, with God's aid, it always emerges and finally prevails, supreme in its power over the destiny of mankind, and terrible in its retribution for those who deny, defy, or betray it.

VIRGIL JORDAN

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A MATTER OF COMMON INTEREST

PAUL L. POIROT

WHEN PERSONS with a common interest cooperate voluntarily, their organized effort constitutes a powerful creative force. On the other hand, some of the world's most perplexing problems stem from attempts to reconcile conflicting interests by merging them into one big organization.[1]

Why organizational efforts succeed in some cases and fail in others will continue to puzzle mankind until the elemental fact is recognized and accepted that an individual does best what he understands and wants to do of his own choice. No police force is needed to compel anyone to do as he pleases, whether by himself or in concert with others. When everyone involved in a project is truly interested and wants to help, no effort need be diverted to persuade the unwilling or to whip the laggards into line.

Persuading a person to do other than he chooses seldom resolves conflicting interests but, more often, pushes the conflict into open violence. This, in turn, invokes government action. Thus it is, that efforts to merge and organize conflicting interests lead to increasing governmental power over human affairs.

One could cite many examples of the disastrous consequence of trying to organize without a common objective, including the broken treaties and agreements at the international level. Closer to

[1] For further discussion of some of the problems of organization, see: Read, Leonard E. "On That Day Began Lies," *Essays on Liberty*, Vol. I. Irvington, N.Y.: Foundation for Economic Education, Inc., 1952. p. 231; Brown, W. J. "Imprisoned Ideas," *Essays on Liberty*, Vol. V, 1958. p. 18.

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the experience or observation of most of us, however, is the example of actively competing sellers of a particular commodity or service trying to combine or organize to protect their presumed common interests. What they presume to have in common is a right to supply all of a given market demand for their product or service. They hope for a monopoly power to exclude from "their" market certain other suppliers categorized as "unfair competition."

When competing sellers succumb to this ancient and hardy temptation, they overlook the fact that any organization to control a particular segment of a market necessarily must include the customers as members of the organization – because they constitute the demand side of that market. It is most difficult to explain to an intelligent customer that it would be to his advantage to buy at a high price from a "fair" seller when he could get the same thing at a lower price from an "unfair" seller. If the customers refuse to cooperate voluntarily in the organizational effort, the stage is set for coercion – and government intervention. Sometimes the government intervenes in behalf of sellers by imposing and enforcing tariffs or other trade barriers. In other cases, the government condemns the action of the sellers as a "combination in restraint of trade." In either case, whether through protectionism or through antitrust activities, the governmental intervention is a consequence of an attempt to merge and organize conflicting interests. A true commonality of interest exists between a buyer and a seller – not between sellers who are competing for that buyer's patronage, or between buyers who are competing for the available supply of some commodity or service.

Price Control and Cartels

How often one hears the proposal: "If only the consumers would organize!" The implication is that consumers would be well advised to gang up on suppliers in some way, as though they could then command twice as much for half the price, or something like that. But what supplier wants to cooperate in such a program? Where is the supply to come from to give every consumer all he wants at a price he would like to pay? We have been through all that, many times, and especially under the price control and rent control regulations of World War II. We should know that consumers will not stay organized under such conditions; first one and then another will desert the organization and turn to "the black market" for supplies.

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Compulsory Unionism

The same thing happens when sellers attempt to organize a cartel or monopoly. No sooner does such organized curbing of the supply begin to reflect itself in higher prices than one or more of the member suppliers finds an opportunity to improve his own position by selling a little bit more than his quota. This is why such combinations in restraint of trade must, and do, quickly fall of their own weight, despite coercive efforts to enforce the monopoly. Meanwhile, as we have observed, the government will have been drawn in, either to suppress or to sustain the attempted coercion. No matter which side government takes, an organized effort that must rely on force against either its own members or against outsiders always results in an expansion of government activities – an extension of government control over human affairs.

The economic and moral case against business combinations in restraint of trade is fairly well understood in the United States today. But not everyone who understands about cartels in business is equally aware that many, if not most, of the labor unions are organized around that same absence of a common interest. What can be the common objective of two or more workers who are competing for the same job opportunity? And what could be more logical than peaceful cooperation between an employee who wants to perform a service and an employer who wants to hire him?

Nevertheless, we find labor unions insistent on compulsory union membership, compulsory collection of union dues, compulsion over their own members, and compulsion against their only customers: the employers of labor. This also is a form of combination in restraint of trade. It is quite possible that compulsory unionism, directly and indirectly, is accountable for a larger proportion of the growth of government in the United States in the past 30 years than is any other organized effort, including the threat of Soviet communism.

Lest anyone think this a reckless and unfounded charge, let him consider some of the following aspects or developments of a labor-oriented national policy of "full employment":

1. A Social Security program with its multibillion-dollar annual tax bill. One of the major arguments for the program in 1935 was that it would provide job opportunities for younger workers as the older ones retired.
2. State and federal unemployment compensation payments of billions of dollars a year.

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3. Billions of dollars of farm price supports designed at least in part to slow the movement of farm workers into union-controlled jobs and to hold down the cost of living of urban families.
4. The countless make-work projects — highways, airports, government buildings, dams, river and harbor improvements, and other spending programs supposed to relieve "distressed areas" from one end of the country to the other.
5. Public housing, "urban renewal," and other federal and state aid programs largely for the supposed benefit of low- and middle-income families.
6. The damage and cost of strikes, slowdowns, boycotts, featherbedding practices, and other burdens of compulsory unionism.
7. The legalized looting of private pensions, insurance funds, and other savings because of the inflationary deficit financing that inevitably goes with a program of "full employment" through government intervention.

The foregoing list is not meant to suggest that organized labor is the only pressure-group activity responsible for the inordinate growth of government in our time. Nor would it be proper to conclude that competing workers have no common interest at all around which to organize. Their true common interest lies in the restoration and preservation of a competitive market economy under a government limited to the defense of life and property — an interest that ought to be shared by every person in the world concerned for his own well-being. Trying to organize around a special privilege, at the expense of other persons or groups, is to forfeit freedom and invite government control.

If ever there were grounds for common cause in this nation, surely the paramount common interest today would lie in a re-examination of our so-called voluntary associations — all of them — so that we might support and strengthen the real ones, withdraw from the others, and thereby relieve ourselves of excessive government and taxes. ◆

IDEAS ON LIBERTY

Woodrow Wilson

I HAVE ALWAYS in my own thought summed up individual liberty, and business liberty and every other kind of liberty, in the phrase that is common in the sporting world, "A free field and no favor."

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HENRY HAZLITT

Comments on Inflation

PART I: Years of Inflation

IN THIS SPACE nearly ten years ago (*Newsweek*, September 17, 1951) I ran a chart comparing the increase in the cost of living, in wholesale commodity prices, and in the amount of bank deposits and currency, from the end of 1939 to the middle of 1951. This chart was incidental to pointing out that the rise in living costs and prices was the result of the increase in the supply of money and credit, and not of a "shortage of goods" or a so-called "cost push."

We are now in a position to compare the same three items over a full twenty years, from the end of 1939 to the end of 1959. The accompanying chart gives us a panoramic view of the inflation during that period. It shows that, while consumer prices increased 113 per cent between the end of 1939 and 1959, wholesale prices increased 136 per cent in the same period and the total supply of bank deposits and currency increased 270 per cent.

If we are to adopt the proper measures, the only effective measures, to halt inflation and prevent its resumption, we must clearly recognize that its basic cause is the increase in the supply of money.

Two rival theories still persist. One is that inflation and rising prices are caused by a "shortage of goods." The figures refute this on their face. The official index of industrial production was 177 per cent higher in 1959 than in 1939; in other words, the rate of production of goods was almost three times as great. It was in spite of this enormous increase in productivity that wholesale prices increased 136 per cent – i.e., more than doubled – during the period.

This article consists of two of Mr. Hazlitt's columns from *Newsweek*, the first part from the issue of May 2 and the second from the issue of May 16, 1960.

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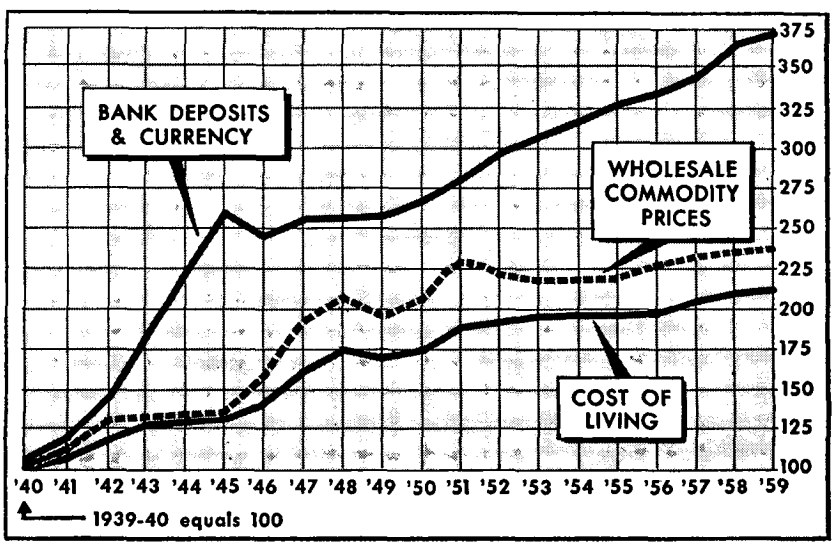
In other words, the increase in the money supply would have caused an even greater rise in prices if it had not been offset by an increase in the supply of goods. While the production of goods almost tripled, the supply of money and bank credit almost quadrupled.

Money vs. "Cost Push"

The other rival theory is that inflation and the rise of prices are caused by higher wage demands – by a "cost push." But this theory reverses cause and effect. "Costs" are prices. An increase in wages above marginal productivity, if it were not preceded, accompanied, or quickly followed by an increase in the supply of money, would not cause inflation; it would merely cause unemployment. It is not true, as so often assumed, that a wage increase in a given firm or industry can be simply "added on to the price." Without an increased money supply, prices cannot be raised without reducing demand and sales, and hence production and employment. We can stop the "cost push" if we halt the increase in the money supply and repeal the labor laws that confer irresponsible private powers on union leaders. ◆

Newsweek, May 2, 1960



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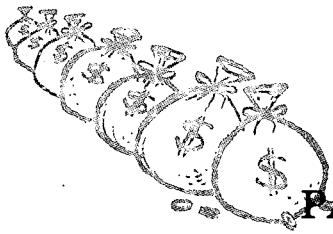

PART II: Inflation vs. Morality

LAST SUMMER (*Newsweek*, July 27, 1959) my colleague, Raymond Moley, wrote a column called "Inflation, a Moral Issue." This ought to be the leading issue in the election.

Inflation never affects everybody simultaneously and equally. It begins at a specific point, with a specific group. When the government puts more money into circulation, it may do so by paying defense contractors, or by increasing subsidies to farmers or social-security benefits to special groups. The incomes of those who receive this money go up first. They begin to buy at the old prices. But their additional buying forces up prices. Those whose money incomes have not been raised are forced to pay higher prices than before; the purchasing power of their incomes has been reduced. Eventually, through the play of economic forces, their own money-incomes may be increased. But if these incomes are increased either less or later than the average prices of what they buy, they never fully make up the loss they suffered from the inflation.

Inflation, in brief, essentially involves a redistribution of real incomes. Those who benefit by it do so, and must do so, at the expense of others. The total losses through inflation offset the total gains. This creates class or group divisions. The victims of inflation resent the profiteers from inflation. Even the moderate gainers from inflation envy the bigger gainers. There is general recognition that the new distribution of income and wealth that goes on during an inflation is not the result of merit, effort, or productiveness but of luck, speculation, or political favoritism. It was in the tremendous German inflation of 1923 that the seeds of Nazism were sown.

Speculation vs. Work

An inflation tends to demoralize those who gain by it as well as those who lose by it. They become used to "unearned increment." They want to hold on to their relative gains. Those who have made money from speculation prefer to continue this way of making money to the former method of

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working for it. I remember once, early in 1929, a conversation between two friends, both of whom held prominent posts as book reviewers but both of whom were heavily in the stock market. They were exchanging stories about their profits. "Today your salary," they agreed, "is just a tip." People do not like to work full time just for a tip. The trend in an inflation is toward less work and production, more speculation and gambling.

The profiteers from inflation tend to spend freely, frivolously, and ostentatiously. This increases popular resentment. The incentive for ordinary saving, in the form of savings-bank accounts, insurance, bonds, or other fixed-income obligations, tends to disappear. The spectacle of quick and easy returns increases temptation to corruption and crime.

"A Juggling Trick"

It is not merely that inflation breeds the gambling spirit and corruption and dishonesty in a nation. Inflation is itself an immoral act on the part of government. When modern governments inflate by increasing the paper-money supply, directly or indirectly, they do in principle what kings once did when they clipped the coins. Diluting the money supply with paper is the moral equivalent of diluting the milk supply with water. For notwithstanding all the pious pretenses of governments that inflation is some evil visitation from without, inflation is practically always the result of deliberate governmental policy.

This was recognized in 1776 by Adam Smith in *The Wealth of Nations*. Though I have quoted the passage before, it bears repeating: "When national debts have once been accumulated to a certain degree, there is scarce, I believe, a single instance of their having been fairly and completely paid." There is either "an avowed bankruptcy" or "a pretended payment."

The pretended payment was inflation. The U.S. government today is paying off in 47-cent dollars the debts it contracted in 1940. Adam Smith went on: "The honor of a State is surely very poorly provided for, when, in order to cover the disgrace of a real bankruptcy, it has recourse to a juggling trick of this kind, so easily seen through, and at the same time so extremely pernicious." ◆

Newsweek, May 16, 1960

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HENRY VIII REVISITED

The Problems and Temptations of Money Creation

THE YEAR was 1544. A chilly autumn wind chased swirling fingers of fog through the stalls of Billingsgate Square, the central fish-market of London. The old fishmonger smiled with satisfaction at the silver shilling he clutched in his hand. In its place just a moment before had been a string of plump, fresh herring. He had made the morning's first sale while the shadows of night still lingered.

The raised edges of the shilling somehow made the old fishmonger feel warm and secure. What a pleasant sensation he felt as he ran his oily thumb over the embossed profile of Henry VIII. He tilted his head for a closer look at the coin in the first grey streaks of dawn.

It was then that the smile faded from his lips. For the first time he felt the chill of the morning. What once had been a splendid silver coin was now worn and blotched. Through a thin coating of silver, Henry VIII's nose protruded in a dull relief of copper.

"Blimey," he thought, "Old Copper Nose 'as been at it again."

"Old Copper Nose," as King Henry was called, had indeed been at it again. Between 1526 and 1546, the silver content of the English shilling was reduced nearly 70 per cent. Henry melted the coins that his tax collectors brought into his mint and added base metal such as copper, thereby *creating additional money* to finance his spending programs....

Today, as in 1544, when money is created faster than goods can be produced, prices tend to rise. Here merge the past, the present, and the future. Whether the year is 1544, 1944, or 2044, prices rise.

This article consists of excerpts reprinted from a 16-page review of currency depreciation and banking practices appearing under this same title in the *January 1960 issue of Business Review* published by the Federal Reserve Bank of Philadelphia, Philadelphia 1, Pa. Copies of that issue are available upon request to the bank's Department of Research.

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Whether the government creating money is royal or republican, dictatorial or democratic, prices rise. Whether the money is created by melting and adding base metals or by turning on printing presses, prices rise. Whether the money is used to build castles, wage wars, construct dams, or speed economic growth, prices rise...

Sovereign Control over Money

For hundreds and hundreds of years the power to create money was solely the prerogative of kings, princes, and emperors. And this power came in very handy, for the sovereign was continually beset by problems of finance. He had to finance wars, to pay the expenses of the court,

THE SILVER CONTENT OF ROME'S CURRENCY AND WHY IT WANED

Reign began (A.D.)	Emperor	Per cent silver	Reason for debasing
98	Trajan	93	Debauched the currency to extend Rome's boundaries
117	Hadrian	87	Rimmed the empire with elaborate and expensive military fortifications
138	Antoninus Pius	75	Great humanist but fiscal failure: lowered taxes; gave to the poor; debased the currency
161	Marcus Aurelius	68	Fought costly defensive wars on all sides
193	Septimius Severus	50	Came to power and stayed there by lavishing expensive favors on the legions
218	Elagabalus	43	Pursued pleasure with all his might and all Rome's resources
235	Maximinus	35	Scourged empire brutally for personal gain
238	Gordian	28	Financed the civil and foreign wars of a disintegrating empire
244	Philip	0.5	Battled contenders for the royal robes under the aegis of a crumbling currency
268	Claudius Victorinus	0.02	Held invaders in check with strength of sword and the melting pot of the imperial mint

Sources: Humphrey Michell, "The Edict of Diocletian," *Canadian Journal of Economics and Political Science*, February 1947. *Encyclopaedia Britannica.*

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and to meet the many other costs of state affairs.

To meet these expenses, the sovereign devised a number of plans. He taxed, borrowed, embarked on elaborate programs of military conquest, operated state-owned industries for profit, and when revenues from these other sources were insufficient to cover expenses, he debased the currency. Indeed, for every king who maintained monetary stability there were countless others who adulterated the currency in as many different ways.

Like Henry VIII, some melted the coin of the realm and added base metals. This method was a favorite not only of medieval European monarchs, but also of the Roman emperors who came before them . . . .

Money Creation during War

In one sense, wars in the twentieth century have been no different from wars in the past. That sense: the supply of money and the extent of the sovereign's role in money creation still tend to vary directly with external pressure on national borders.

So it was in Rome during the barbarian invasions; in France and England in the 100 Years' War; in America during the Revolutionary War when the phrase "not worth a continental" described anything of little value, including the Continental currency created to finance the fighting. It was true in America during the Civil War when "greenbacks" depreciated substantially as a result of overissue; in France during the Revolution when the *assignats* became bits of worthless paper; and in Germany during and after World War I, when at one time 300 paper mills worked at top speed to deliver note paper to the Reichsbank while 150 printing companies kept 2,000 note presses running night and day solely to print Reichsbank notes. In short, when borders are threatened the State reasserts its monetary prerogative.

And World War II was no exception. It is estimated that total military expenditures of the combatant nations surpassed $1 trillion, over 6 times those of World War I. Remembering that $1 billion is a thousand million, and $1 trillion a thousand billion, one can readily realize the astronomical size of these expenditures. As in the past, this spending was financed in the established pattern: partly by taxing, partly by selling bonds to patriotic citizens, and partly by creating money.

Some of the belligerents created money just as Germany did during World War I, by turning on the printing presses. Others used a

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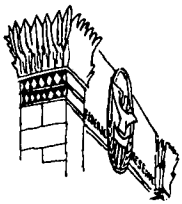
IN A MODERN DEPOSIT BANKING SYSTEM MONEY IS CREATED IN A ROUND-ABOUT FASHION...

1. When the central banker decides that the money supply should be increased...

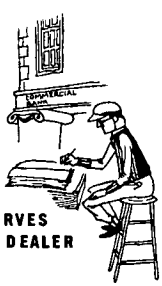


... he buys government securities from a government securities dealer.

2. He enters his new asset — the securities — in his books and credits the reserve account of the commercial bank where the government securities dealer keeps his checking account, thus creating new bank reserves.

+ GOVT. SEC.
+ COMM. BANK (RESERVES)

GOVT. SEC.



+ RESERVES
+ SEC. DEALER

3. This commercial bank in turn enters the reserves in its books as an asset and credits the securities dealer's checking account.

+ LOANS
+ DEPOSIT

4. With additional reserves, the bank can make new loans. In lending, the bank simply credits the borrower's checking account, thereby creating new demand deposit money.

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more sophisticated technique which became possible with development of modern deposit banking and a broad securities market.

A simplified illustration of the sophisticated system would run something like this. The central bank would buy government securities in the open market, paying for them with newly created bank reserves as shown in the illustration (p. 25). The banking system could use these reserves to buy new issues of government securities. Some of these new securities could be sold to the central bank, new reserves created, and so the cycle would begin anew . . . .

Currency Debasement Still Spells Inflation

It has been said that history repeats itself – that men do not learn from the errors of the past. Today, it is possible that we have reached an important juncture in the historical cycle of money creation. This juncture involves a fundamental choice. Will we continue to insulate the function of money creation from the day-to-day financial pressures that beseech the sovereign? Or will we follow the lead of Henry VIII – Old Copper Nose revisited? These are the problems, and the temptations, of money creation. ◆

IDEAS ON LIBERTY

Legal Plunder

I DO NOT THINK that illegal plunder, such as theft or swindling—which the penal code defines, anticipates, and punishes—can be called socialism. It is not this kind of plunder that systematically threatens the foundations of society.

The war against illegal plunder has been fought since the beginning of the world. The law itself conducts this war, and it is my wish and opinion that the law should always maintain this attitude toward plunder.

But it does not always do this. Sometimes the law defends plunder and participates in it. Thus the beneficiaries are spared the shame, danger, and scruple which their acts would otherwise involve. Sometimes the law places the whole apparatus of judges, police, prisons, and gendarmes at the service of the plunderers, and treats the victim—when he defends himself—as a criminal. In short, there is a *legal plunder*.

FREDERIC BASTIAT, *The Law*

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ARTHUR KEMP

FREEDOM of CHOICE

AT ATLANTIC CITY in June, and again at Dallas in December, the American Medical Association's House of Delegates proclaimed and reaffirmed the belief that the "free choice of physician is the right of every individual" and that such freedom of choice, together with free competition among physicians, constitute prerequisites to "optimal medical care." In so doing the House of Delegates, by inference, took a position in favor of individual freedom of choice in general and expressed a preference for maintaining a social, political, and economic framework in our society conducive to the preservation of such freedom of choice.

All too frequently the term freedom has been misused or abused. Perhaps this is inevitable when the concept of freedom is capable of stirring up considerable emotion in the human breast; indeed, some men have died for it, and many others have proclaimed their willingness to do so. Less often, however, have men had the patience to devote attention to the less emotional and more mundane restrictions on freedom when these do not directly affect them. Certainly it behooves members of the medical profession to give attention to the broader meaning of the term "freedom of choice" and to its implications.

If freedom of choice were to relate merely to the number of courses of action open to a person, it would be more accurately described as power of choice. But freedom of choice represents something more fundamental than power; it represents the right of the individual person to be a free agent in his interhuman relationships, to make his own decisions, to be free from the arbitrary authority of others, and to be able to choose how he wishes to use his services or property rather than to be subject to coercion by others. Freedom of choice means that the the person is able to choose his own course of action and his own pattern of living, subject to the re-

Arthur Kemp, Ph.D., is Director of the Economic Research Department of the American Medical Association. This article is reprinted by permission from the February 27, 1960 issue of *The Journal of the American Medical Association.*

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quirement that he shall not act so as to violate the freedom of choice of others.

Freedom in this sense, it should be noted, is freedom of, not freedom from or freedom to; the preposition is of great importance, for the latter represent not different aspects of the same thing but entirely different conditions. This calls to mind the famous four freedoms enunciated by President Franklin D. Roosevelt during World War II—freedom of speech, of worship, from want, and from fear—later called "a noble pun" by the British economist, Joan Robinson. The two pairs of freedoms were, in fact, of entirely different character. Mr. Roosevelt meant security from want and fear, not freedom or liberty. Many philosophers, including Franklin and Jefferson, have pointed out that freedom and security are inconsistent human conditions. Indeed, make freedom of choice into freedom from choice and one comes close to a definition of slavery.

A Vital Distinction

The struggle and debate of our time is intimately related to this difference between freedom of choice and from choice. Such a difference relates to the alternative methods of organizing human activity and is not simply a struggle between the United States and the Soviet Union or between the free world and the unfree world. Human activity can be organized so that the individual person has freedom of choice or so that he has little or no choice. The latter is the technique of the totalitarian state while the former is the mechanism of the market place with limited government and the separation of political powers.

A freedom-of-choice society in the economic sphere is a market society. Individual economic transactions are conducted through the voluntary cooperation of reasonably well-informed persons in such a way that both parties benefit from them. A free-choice society provides a mechanism for bringing about coordination with a minimum of coercion. Human activities, so far as possible, are conducted in the market, not in the political sphere. In this way coercion of individual persons to conform is minimized and freedom of individual choice is maximized. Each person can choose the color of tie he wants, the architecture of his house, and the cut of his clothes. He does not have to submit to what the majority wants; he may make his own choice and get it.

This is, of course, exactly the opposite from that organization of society where decisions which could be made by the market are

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made on a political yes or no basis. Even if these decisions are reached by the expedient of democratic majority rule (which may be transitory) rather than by dictatorial fiat, the political decisions are the results of group pressures instead of individual choices.

We live in a society still essentially free, one that gives to the individual person the right not only to choose his physician but to make other choices as well. Indeed, we have even permitted the individual person to choose to use his capital and his services to advocate the abolition of freedom of choice itself. Throughout the history of mankind this sort of society has not been the general rule but the exception. Perhaps this is inevitable. The totalitarian collectivist principle is simple and straightforward; it appeals to those who say, "Do something now." The necessity of restraint, group and individual, the recognition of ignorance and the imperfection of human knowledge, and the denial of a millennium and the aim of establishing conditions that make life not perfect but workable – all these attributes of a free-choice society constitute a highly sophisticated doctrine.

It is sobering to see the growing number of so-called leaders of political thought or politicians who advocate an ever-growing governmental assumption of responsibility for all sorts of complex economic and social problems – full-employment, care for the aged, care for the indigent, government health services, subsidized housing, and so on and on. Yet the moral ethic on which our civilization rests emphasizes individual responsibility. Can such a civilization survive? Perhaps, but only if it recognizes the difference between freedom of choice and freedom from choice.

IDEAS ON LIBERTY

"Freedom" From Responsibility

WHEN the Athenians finally wanted not to give to the State, but the State to give to them, when the freedom they wished most for was freedom from responsibility, then Athens ceased to be free and was never free again.

EDITH HAMILTON

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A doctor explains to his patients, and to anyone else interested, his views on . . .

MASS IMMUNIZATION

A. WAYNE ELSTEN, M. D.

ALTHOUGH I have not been directly asked by one of my own patients as to my position on the mass polio immunization program which was organized by a committee of the UAW-CIO, I have had inquiries from some of the public-minded citizens who offered to give aid and assistance to this program. Their questions are important but a proper answer is so long that it is not practical for me to answer in detail every individual who so inquires. In view of this and in the firm belief that each of my patients depends on my medical judgment for the maintenance of his personal health, and the health of his family, each deserves to know how that judgment is applied.

When you or any of my other patients come into my office and asks my advice about a polio shot, my answer is likely to come rather quickly and probably will be, "Yes, I think it is a protection you should have." Following a few questions which you may not associate with the request you have made, you may get your immunization and be given a return date for your succeeding injections. You have no reason to reflect on the fact that you have called up in my mind an instant review of immunization, its chemistry, its physiology, and its pathology, as well as the pathology of poliomyelitis. My knowledge of your own reactions to prior immunizations and medications, the mathematics of polio attack rates, vaccine reaction rates, a flash review of the known reactions to the different ingredients in Salk vaccine – monkey kidney protein, mercury or quaternary ammonium preservatives, penicillin, as well as polio virus protein, my casual question about asthma and hay fever, hives, and other allergies, penicillin reactions, all have a place in the formation of my judgment.

Dr. Elsten is a general practitioner in Anderson, Indiana. This article was prepared as a letter of January 11, 1960, to some of his patients.

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Suppose my knowledge of you, or your answer to one of my questions, causes me to hesitate – somewhere along the line something suggests that you should not have the vaccine. I must remember that fatal results have followed injections of Salk vaccine for a number of reasons. I must not forget that a number of cases of polio were caused by an earlier vaccine. A failure in processing could cause a repetition, and this tiny mathematical chance must be weighed. You have not had occasion to read as I have the reports of the extreme sensitivity of some people to penicillin – so that only a few molecules have caused critical illness or even death. The same thing applies to mercury, which some brands of the vaccine contain.

Then I have to think of your chance of actually contracting poliomyelitis, if you are, and if you are not, inoculated. Perhaps at your age, your chance is 1 in 50,000 of contracting paralytic poliomyelitis. The full series of Salk vaccine shots at proper intervals would reduce this to 1 in 400,000. On the other hand, if my judgment tells me you have one chance in a thousand or one in fifty or even one in two of reacting unfavorably, I would certainly advise you not to take the vaccine.

When I advise you this way, I will also explain that for the past few years I have been carefully watching the development and testing of the Sabin vaccine – another product of the research for better and safer vaccines against poliomyelitis. I will explain that we are not in a polio season now and that it is possible we may have a better and safer vaccine soon and that this new product will not contain preservatives. The new vaccine of which I speak is given by mouth and does not require any shots at all. The reports of millions of tests in some foreign countries make me hope for a much improved preventative for polio, and while I reserve judgment until more reports are in from tests taking place now in this country, I am guardedly enthusiastic.

My knowledge of you, my records, the answers to my questions, even my judgment of your skin color and general body build, all combine with the training I have had to develop a special professional opinion for you as an individual patient. The same process is repeated for any and all patients and the result may be entirely different. It might even be different for you under other circumstances and at another time.

Under very special circumstances, mass immunization programs may be proper. My judg-

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ment would give me a different answer if we were facing a spreading or imminent epidemic, or if the disease in question had a high instead of low attack rate, or if a sequence of events exposed our community to a definite hazard at this time. These variations do not change the process of the technical judgment – they simply change the weight of the factors – so that my best judgment, under different conditions, gives me a different conclusion.

I sincerely hope this discussion has given you a better insight into what I mean when I speak of individual, responsible, medical judgment. I would like now to discuss some matters relevant to the Madison County Polio Immunization Program itself.

It is claimed in our local newspapers that between 11,000 and 12,000 persons have indicated that they wish shots in the mass program. This means, according to the figures, some twenty thousand or more injections are needed to complete the series. The known attack rate for poliomyelitis in Central Indiana recently plotted against a completely immunized group of 12,000 indicates a probability of saving ⅓ of one person from contracting the disease. Since we do not save persons from illness by thirds, it means the whole program has one chance in three of success in avoiding one case of polio (not necessarily severe or fatal) and two chances in three of failure to avoid even one case. On the other hand, the fact remains that in 20,000 injections into an unscreened group, there is a fair chance of some local infections. There is a mathematical chance of severe infection from faulty technique and there is more than a casual chance of a penicillin or mercury sensitivity. This kind of accident could, of course, happen with the best office preparation and technique, but in the case of a mass program, I must add a very husky factor for the type of unexpected happening we associate with all such crash and production line techniques, where preparations are minimal, individualization nonexistent, and frenzy replaces reason.

Other things come to mind, too, in connection with this question. Madison County is well supplied with good doctors, who can adequately take care of their patients. The publicity surrounding the present polio question sets the stage perfectly, it seems to me, for many people to become acquainted with their personal physicians, or in the event they have none, to establish a primary, unhurried, non-emergency contact. I am very certain of one thing,

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that the most fundamental element in our American system of medical care is mutual responsibility of a personal physician to his patient and that individual patient to his physician. This mutual interest is not served by a scramble for "free" production line care, but by a *personal visit* by a *doctor's personal patient* to his *personal doctor*.

While I have advised against Salk vaccine in some cases, I have never refused to give an immunization because of inability to pay. The matter of payment for services did not enter into my decision on this matter.

An unusual public impression seems to have developed concerning the role of the Madison County Medical Society. The county society is an educational organization, not a service league or pressure group. Under no circumstances can the society practice medicine, nor can it dictate to its members what they shall do professionally. There is absolutely no mechanism by which the Society could provide medical assistance to a program, or deliver a doctor or group of doctors to perform a service. The most it could do would be to report a consensus that a certain program was or was not deemed proper and desirable. This is precisely what was done in the present case. The request of the UAW Citizens' Committee was considered, and it was the unanimous professional opinion of those present that the program could not be given approval. The unanimous vote against this proposal was proof positive that not a single member present approved.

In my own case, I voted against approval because I considered the project to be an example of poor quality medical care. It is an unnecessary, potentially dangerous program.

I am sure that the members of the Citizens' Committee thought they were being helpful to their community and humanity. However, I would like for you to view it in this light.

A group of laymen decided, on the basis of nonprofessional judgment, that there existed a problem of protecting Anderson and Madison County's public from the threat of a vicious disease. In their judgment a "cure" for this threat was at hand, and they assumed that the physicians of the community were withholding this available cure.

Evidently they did not realize that the doctors had considered the problem, had weighed it in the light of their professional knowledge and judgment of the subject, and had abandoned it as a slipshod type of medical care to which

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their patients were not accustomed and should not be subjected.

I know a number of the members of the groups who were working toward this mass immunization program, and I realize it must have been quite a shock to them to learn that every physician present at the meeting which had this program on the agenda disapproved.

One of man's most driving motivations is to feel superior. He manifests this in many ways and all too commonly gives advice in a special field in which he has no training. The bookkeeper turns sidewalk superintendent, the doctor issues legal opinions, the elevator operator offers stock market advice, and many persons well-trained in their own fields turn amateur doctors. This seems to be legitimatized in many minds if the doctoring includes or touches upon the social welfare field.

This is a vast psychological quicksand which entraps many people. These same people, having failed in their impassioned and fervent enthusiasm to realize that they were completely without basis in technical knowledge for the action they had entered, now reason that since their position was public and they were individually and collectively in the limelight, they would somehow lose face if they requested advice from someone who was not in ignorance of the facts.

The result is that to this day – insofar as I know – they have not asked for medical advice. They have asked only for medical hands to carry out the mechanics of a program of inferior quality which they devised.

I am sure that even now, were the people to ask for medical advice, they would get it. However, they cannot get it from the County Medical Society. This organization cannot give advice. Medical organizations can no more give advice than can corporations. Only people can give advice. A request for such help can be channeled by the Society to one or more of its members for consideration, or doctors may be approached personally and individually for such help. One thing is clear, any medical advice or opinion of value must eventually come from an individual – and an individual who has the training and knowledge from which to draw reasoned conclusions.

This has been a lengthy letter. However, I want you to know the truth about any issue which involves you and me as partners in the health maintenance activities which is the goal of our mutual responsibilities. This letter presents an outline of the facts as I see them. ❧

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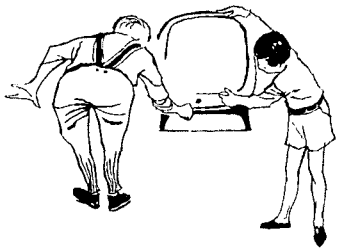
SUBSIDIZED DOCTORING



or — PROGRESS OF THE WELFARE STATE

It was a chilly afternoon
At story-telling time.
Old Kaspar chewed a dead cigar
And thinned his rum-and-lime,
While Peterkin and Wilhelmine
Turned on the futurama screen.

They watched while pairs of burly men
Within a factory yard
Would lift each worker by the heels
And shake him long and hard,
While others sifted through the trash
Collecting all the fallen cash.

"Now tell us what it's all about!"
The little children cried.
"It is another payroll tax,"
Old Kaspar soon replied.
"The cash will pay the doctor bills
Of older folks with chronic ills."

"The Welfare State," said Kaspar then,
"Devours private wealth.
Whatever tax collectors miss
Inflation takes by stealth.
That's why we old retired folks
Have many ills, but empty pokes."

"Who paid the old folks' doctor bills
Before the Planners came?"
"They paid their own," Old Kaspar sighed,
"But times were not the same.
A prudent man could always save
Enough to last him to his grave."

H. P. B. JENKINS
Economist at Fayetteville, Arkansas

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SIR ERNEST BENN

"Profit is nothing but a commission on economy."

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SIR ERNEST BENN

The Profit Motive

PART I: PROFIT AND LOSS

THE WORLD of politics just like other worlds is governed by fashion, and the fashion of the moment is to deprecate profit. There is no recognised political party with a word to say for profit.* In the recent Presidential Election Mr. Willkie got as near as he dared to a defence of the profit system, but even he had to accommodate himself to the fashion which today rules public affairs. The word "profit" has come to have a nasty, sinister, undesirable meaning. This is quite new, peculiar to the last few years. The word "profit" is not once used in the Bible except in the sense of something desirable, something to strive after, something altogether worthy.

> I am the Lord thy God which teacheth thee to profit, which leadeth thee by the way thou shouldest go. *Isaiah* xlviii. v. 17.
>
> Of these things, put them in remembrance, charging them before the Lord that they strive not about words to no profit, but to the subverting of the hearers.
>
> II *Timothy* ii. v. 14.

And more directly in the same vein,

> In all labour there is profit, but the talk of the lips tendeth only to penury. *Proverbs* xiv. v. 23.

The "unprofitable" servant in the Parable of the Ten Talents was "cast into outer darkness."

It is just as well to remember that the needs of a political market are not unlike the needs of any other market, and that fashion must vary from time to time, but the pity is that when political fashion decrees that a particular matter shall be the leading topic of the talk of the lips, experience shows that the tendency "only to

* 1941.

Sir Ernest Benn (1875-1954) was one of the outstanding advocates and practitioners of competitive private enterprise in our time. This essay, somewhat condensed here, first appeared as a pamphlet in 1941 and more recently as Appendix II of Deryck Abel's biographical *Ernest Benn: Counsel for Liberty* (Ernest Benn Limited, Bouverie House, Fleet Street, London, EC4, 192 pages, $3.00. Reviewed in the April 1960 *Freeman*, p. 57).

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penury" is uniform. Land, for example, is in greater difficulties the world over today than ever in history, a curious reflection when one remembers that every politician in the world has done something about land. Ireland ruled the fashion in politics for years, with results that are still in question. Similarly, religion and education kept the politicians going with more vigour than any subject in my recollection, with results to religion which do not impress me and to education of which I entertain grave doubts. Coal has suffered badly from politics and cotton is now faced with the same danger.

The antiprofit fashion will no doubt pass, but like all the other political fashions, it will leave its trail of destruction and penury.

The origin of modern error in this matter can, I think, be traced to Ruskin, who committed himself to the wholly false theory that profit comes out of wages, a theory which since Ruskin's time has been improved by the corresponding fallacy that profit is an addition to price.

> On the other hand, by the exact sum which is divided among them (i.e., the employees) more than their present wages, the fortune of the man who, under the present system, takes all the profits of the business, will be diminished.
>
> *Time and Tide*, Letter I.

Every practical person knows that Ruskin was mistaken, that his theory is false, but the unhappy fact is that fifty years of tub-thumping by his followers have done their deadly work, and brought about the present deplorable state of affairs. In the modern scramble for votes, Conservatives and Liberals alike allow themselves to be swept up into the fashion, and while offering bribes to the poorer classes of society find it advantageous to round off the offer by threats against those higher up the scale who are supposed to be fattening on that evil thing, profit.

Profits in World-Wide Disgrace

It is really quite remarkable how in these days all the aspirants for leadership the world over have selected this antiprofit bias as a good card to play. It might be imagined, indeed it may be hoped, that Hitler's insistence on the antiprofit character of Nazism would tempt his enemies to adopt another line. It must be highly distasteful to our own Labour Party to find the most prominent of their enemies preaching the same doctrines and making the same offers, leading his misguided public to believe, as our Socialists profess to believe, that the world will be better when profits are abolished. Wherever one looks the abolition

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of profits seems to be the leading purpose of all politicians. The Supreme Economic Council in Japan set up by Prince Konoye is working out a new economy based on public service and the abandonment of "liberalistic profit-seeking," and Roosevelt is putting America right, or wrong, in pursuance of the same idea.

Faced with such extraordinary unanimity it may be asked what can be done about it? It appears from the recorded opinions of the leaders of the greater part of the population of the globe, that the world is tired of profits, is determined to do without them, and in accordance with the principles of democracy must be free to follow its desires. I constantly talk to people who ask me to believe that something is right because everybody says so. Six or seven years ago the American public, so easily swayed by fashion, and with a unanimity that was really remarkable, held it to be right that the State, acting through Mr. Roosevelt, should abolish unemployment, and it was and is very difficult to argue against a mass movement such as that. One can only sit back in the melancholy reflection that experience alone will teach, and the alteration in American opinion on that particular question is in no doubt. If democracy is a system under which millions of people, whether qualified to judge or not, are to have their way simply because they say so, then democracy will not survive. Unless democracy gets back to the conception of its founders and throws up leaders worthy of the high ideal of self-government, the hope of the future is indeed very faint.

No Mention of Loss

The first thing that strikes anyone who will reflect on all this abuse of profit is the universal absence of any mention of loss. We are faced, in fact, with a world-wide conspiracy to establish a one-way system of argument. The late Dan Leno in one of his most successful sketches impersonated a town councillor, and delivered a little speech on the vexed question of tramways. The main street of the town of which Dan was supposed to be a councillor ran up a hill, and the difficulty with which he dealt was the fact that while the trams found no trouble in going down the hill, they were less inclined to mount it. The sketch finished, as some readers may remember, when that inimitable comedian, with a peculiar flourish of the hands, a twisting of those expressive legs and a screwing of the eyebrows, settled the matter by making all the trams run down the hill. That is exactly what these antiprofit demagogues are propos-

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ing with the whole of the affairs of mankind at this moment. One might as well discuss Romeo without a mention of Juliet, of the characteristics of the moon while ignoring the existence of the sun, as to talk of profit and say nothing about loss.

If any of the leaders of what passes in modern times for thought, Hitler, Konoye, Roosevelt, or Bevin, are to be taken at all seriously, then we are faced with a future in which the whole of the affairs of mankind is run on a basis of loss. There is no escape whatever. Practically everything in the world of economics produces either profit or loss, and seeing that no politician has yet been bold enough to put forward a plan for the abolition of loss but all are determined to legislate profits away, loss is the obvious order of the future.

An Addition to Price?

There are various approaches to this question. It is attacked from various angles. Perhaps the most common line of argument is found in the suggestion that profits are an addition to price. Millions of decent, well-meaning people are under the impression that the shopkeeper buys an article at a certain price and adds a profit to that price, so that by legislating profits away the dealer would be obliged to refrain from making that addition to the price he had paid. The notion will not bear a moment's serious reflection; and yet it prevails. The records show that the biggest profits are made by reductions in price. The profits of the makers of Rolls Royce motor cars are paltry by the side of Lord Nuffield's profits, insignificant compared with the profits of Henry Ford, and both these millionaires have acquired their wealth by the steady reduction of the price of the article which they offer for the public service. The Woolworth millions have been made, not by adding to, but by lowering price.

But we must return to the question of the origin and composition of profits a little later. There are, of course, cases where suppliers, having secured control of a market, need pay no attention to the reduction of price and can indeed impose their own idea of value. There are profits out of politics. When the Board of Education, having an effective monopoly, schedules a book as a suitable instrument for the development of the mind of its protégés, author and publisher are put on clover. Very large profits have, in this way, been made out of the subversive manuals produced by the industrious Webbs. Another example of profit out of politics is seen

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when a protective tariff gives a monopoly of a market to a trade well enough organised to secure the ear of Parliament.

But these are details. We are concerned not with a book or a piece of steel, but with the hundreds of millions of sales and purchases, transactions of every sort, kind, and description, which take place every day of the week even in this little island of ours. To mention only one example – every day of every week, Sundays included, we are, in our little way (for after all it is a little way compared with the way of the whole world), conducting sixty million transactions involving the manufacture, the sale and the purchase of paper. And this is done by some forty million individuals, and would not and could not be done unless we were all free to follow our peculiar little fancies, wants, and whims in the matter of paper.

Profit and Loss Accounting

Profit and loss are inseparable. No person in business or trade ever heard of a profit account. Every tradesman, whatever his line of business, keeps a private ledger, the chief section of which is devoted to a Profit and Loss Account. Politicians and others whose experience is limited to public affairs, are at a disadvantage in this matter because there is from a bookkeeping point of view no Profit and Loss Account in the public ledgers. The income is collected by force and spent without any direct relation to costs or markets. But outside politics every job of work which goes to make up the total of the day's endeavor has within it the prospect of profit and the risk of loss. Council houses, nationalised railways, State shipping, have always produced loss. There is no exception in all experience in any part of the world to this ascertained fact. But operations in the freer market outside politics all produce either profit or loss, and society is kept together by the fact that having the need for profit and the risk of bankruptcy through loss always in mind, the balance in all human experience has resulted on the whole in profit. The profit, as so far ascertained, is a small one, two or three per cent upon all the capital employed. Some speculative transactions produce big profits, other classes of work in more settled or standardised fields of endeavour produce more moderate profits, and when these are all added together and the losses put beside them, the balance is in the neighbourhood of the return to be obtained from gilt-edged securities. These are facts; they are not in dispute. The politician gets a hearing in the matter because it hap-

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pens that the big profits sometimes fall into the hands of persons who do not appear on the face of things to be of the most worthy or desirable class.

A Measure of Efficiency

The profit system, if that is what it may be called (although this talk of system is likely to be very misleading), can be described in very simple terms. In the making of anything, a steam engine, a bridge, a penholder, a handkerchief, many parties, many markets, numerous processes are involved. The complications are sometimes extremely intricate. In connection with every detail of all these complications there are two ways of achieving the purpose desired. There is the economical way and the extravagant way. The profit system simply amounts to this, that someone in charge of the problem of making a steam engine, building a bridge, or manufacturing a handkerchief, depends for his living upon the balance of the account at the end of the business appearing on the right or profit side, and that dependence is forced upon him by the circumstance that if the balance should be on the wrong or loss side, he himself will be faced with the Bankruptcy Court. In these circumstances the person in charge of any of these jobs of work will devote his time and attention to seeking in all the processes and operations involved, the economical way of doing them. If, as these antiprofit people profess to desire, it is decided that the man in charge of the making of handkerchiefs shall be free of the profit motive, he will automatically be relieved of the imperative necessity of seeking the economical way in all the problems associated with that interesting business.

It is true that if the person in charge can succeed in lowering the rate of wages, he will add to his immediate profits, if the market allows him to retain the gain on wages while still exacting from the consumers the same price for the article. Seeing, however, that the rate of wages is in the hands of a well-established trade union system, and that the market price is still happily governed by the forces of competition, and furthermore, that in a free country the consumer is still at liberty to spend his money in some other way, the opportunities for the operation of the crude device visualised by Ruskin are for practical purposes nonextant. It must also be remembered that the market in handkerchiefs will be good when the wage level is high and bad when the level of wages is low. The profit-makers' best interests are always in high wages.

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This matter for seeking for the economical way of accomplishing the many processes associated with the production of the simplest article is far more important to the general well-being than is commonly supposed. All of us by nature are inclined to rate our own value a little above its true worth. All of us very naturally and very properly are inclined to maintain a consistent pressure for a little more for ourselves. That common human trait is not absent even from the profit-scorning ranks of the bureaucracy itself. It is all to the good in a system governed by the Profit and Loss Account, because in such a system the pressure which we exercise to secure more for ourselves will be checked, restrained, and brought within reason by the limitations of the market itself. Working under a profit system every worker is directly governed by the consumer who goes or does not go to the front of the shop counter, and does or does not put down his or her money to the extent demanded by the producers and distributors. If, therefore, any of us can give greater satisfaction to the consumer, whether by improving the quality or cheapening the price or increasing the quantity, there arises the surplus out of which our own desire for more can be satisfied; and can be satisfied, be it noted, for this is of the utmost importance, without any expense to anybody. If, however the profit system, with its necessity for avoiding loss, is abandoned, then the restraint upon each one of us is removed; there is hardly any limit to the value we can place upon our own efforts. The rate of our remuneration is no longer governed by the willingness of the market, the free consumer, to pay the price which we put upon our services, but will depend upon our ability to organise ourselves in such a way as to browbeat the government into placing us in a position of advantage over all the rest.

A Production Problem

Private enterprise working with a view to a profit and facing the risk of loss approaches a production problem from the market end. It assumes, for example, that there is a market for shoes at fifteen shillings or for houses at £1 a week, and starting from these figures works right back to the beginning of either job, pricing every item from start to finish in the hope of coming within the fifteen shillings or the £1. If a material or a process is too expensive, other materials and processes have to be found, because the consumer will not pay more and there is no other source from which the

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costs can be recovered. When, however, a local authority decides to build houses to let for £1 a week, there may be every desire for economy, but there is no necessity for it, as anything over the £1 will merely be taken from the ratepayers.

In the Publishing Business

I can speak with some authority about book production and what would happen if the profit and loss consideration were removed from the business of publishing. If the publisher were free to give all the satisfaction sometimes demanded by his labourer, the author, the price of books would be quadrupled. He would, for instance, save the author some little inconvenience by putting the first draft of the manuscript straight into type, leaving additions, deletions, and alterations to be made by the printer and thus double the composition costs. He could keep type standing for indefinite periods at heavy expense. He could give an index to every book (a favourite author's request), although it is not one book in fifty that justifies such extravagance. The author could have a free hand as regards illustrations, and there would be no need to study the wide field of choice of processes with greatly varying costs. Every author I have known has always agreed that more money (my money) should be spent on advertising. There are a hundred ways in which the publisher, the printer, the bookbinder, not to mention the bookseller and many others, would all be forced to increase the cost of production and distribution, if once the brake of profit and loss were removed from the complicated machine that gives us our books. This part of the argument can be summed up by saying that profit is nothing but a commission on economy.

The notion still prevails that there is a fixed national income of which too great a part is taken by those who live by making profits, and that happiness can be secured by legislative arrangements dividing this fixed wealth into equal shares between us all. That very partial view leaves all progress, all increase, all advance entirely out of account. It happens in practice —and this again is not a matter of argument, but of recorded fact— that the profitowner, held up to scorn as he may be, is the least of the beneficiaries of the system which it is proposed to abolish. For those who would further study this question I have dealt in some detail with this part of the problem in the chapter, "Whom Do I Rob?" in *The Confessions of a Capitalist*. The records show that high profits, high wages, and low prices go together, and are uni-

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versally to be found in association, all three with one another. The total of all the wealth taken by the profit makers is a trifling fraction of the total extra wages earned, and these extra wages and savings would never come into existence without the profits.

Wartime Waste

After more than half a century of compulsory popular education it is sad to reflect on the gigantic losses recently made by this nation and indeed by most nations through legislative attempts to limit, discourage, or prohibit personal profit. Popular education has so far done little to minimise the age-old human weakness of failure to learn from experience. In the Kaiser's War there was, as happens in all wars, the demand for the abolition of profit, and one of the most muddle-headed of all that muddle-headed class who call themselves socialists, Dr. Christopher Addison, then Minister of Munitions, set up the absurd system of remunerating manufacturers by the cost of the article plus a small fixed percentage. Trade unions were satisfied, the popular desire to take profit out of war was accommodated, and in the result enormous waste was achieved. I estimate that one-third of the National Debt left to us by the 1914-1918 war was directly due to the cost-plus-percentage system, and this cannot be attributed to any evil motive on the part of anybody. It arose from the simple circumstance that Dr. Addison by a stroke of the pen wiped out the need for seeking the economical way in all the complicated processes associated with the production of munitions of every sort, kind, and description. That absurd system has been elaborated and improved by bureaucratic minds and hands and will add to a far greater extent to the costs of the present war. The point is emphasised by a glance at America in the latter part of 1940 and the early part of 1941. In the Kaiser's war, before America had attempted to swallow the whole of the socialist pharmacopaeia, we employed Pierpont Morgan to act as agent for the purchase of our supplies, and we were not encumbered on the other side, and were far less encumbered on this side, by bureaucratic devices for accomplishing economic purposes by uneconomic methods. In the result it will be found that we secured in 1914-18 at least twice the material for half the money.

We really must bring this profit question on to a higher intellectual level. We are still, for instance, concerned with the notion that the fool and his money are easily parted, but it is not worthy

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of us, dealing as we are with the economic welfare of the whole world, to apply the exaggerated machinery of bureaucratic government to the doubtful purpose of saving the face of the fool. I am old-fashioned enough to think that parting with his money is often good for the fool. There are and must always be plenty of profiteers, using the word in the objectionable sense desired by the politician. Starting with the bully at school who secures a gramophone record as a swap for a few worthless stamps, we shall always have the profiteer among us. . . . Some of them serve a useful purpose in opening up markets that would otherwise never be discovered. At their very worst they may be compared to the dung, necessary to the production of good crops, the best dung being that which is most thoroughly rotted. But it is unjust, stupid, and wickedly dangerous to regard the profiteer as typical, or to insist through legislation on forcing upon the rest of us restrictions designed to eliminate him. These restrictions never achieve their purpose. Complicated rules and regulations give new openings to real profiteers and tend to increase their numbers. One might just as well discuss the advantages and disadvantages of marriage, using only evidence and arguments collected from the Divorce Court, as attempt to discuss economic systems using only evidence secured from the doings of a small class that can never be eliminated and whose operations, however objectionable, can never amount to more than a trifling fraction of the economic operations of society as a whole.

The High Cost of Intervention

Suppose it were possible for the advocates of capitalism to attack the world of labour in the way in which the agitating politicians, who have secured the ear of labour, deal with the employing, directing, and managing classes. At the present moment there are thousands of misguided working men unconcerned about the dangers of the enemy at our gate, drawing double money to work on Sundays, and taking as a regular holiday two or three weekends when only normal money is to be earned. There are others deliberately holding the nation to ransom and securing far more than their labour is worth, because in our dire need we must have their assistance. It would, however, be the grossest of libels, the most obvious of lies, to suggest for a moment that these people are typical of the British workingman.

A word must be said about speculators and gamblers, for they

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exist and are a vital and essential part of any good economic system. Here again, we are swayed too much by the circumstance that the gambler himself is often a person with a mentality, an appearance, or a personal motive that does not appeal to us.

This is an old question and its nature can perhaps be seen by looking back a little. It is some years since Upton Sinclair favoured us with his picturesque description of the wheat pit at Chicago. Now we can notice with amusement that while gamblers were making spectacular fortunes and spectacular losses in Chicago, we ourselves were enjoying the cheapest bread in our history. Our bread was in fact so cheap that Joseph Chamberlain was constrained to admit that if we adopted his scheme for Empire Preference, "your food will cost you more." The fact is, and all history proclaims it, a simple one. The gambling class is a losing class; it loses deliberately, for the curious satisfaction to which it appears to attach importance, of securing an occasional spectacular fortune for one of its members. One need only think of the fortunes recently made from football pools, or of the State of Monaco, wealthy beyond the dreams of avarice out of the losses of the speculator: and yet the speculating class would feel aggrieved if Monte Carlo were abolished. Here we have the profit motive, using the word in the sense applied so wrongly by the Socialists to the whole class of entrepreneur. Monte Carlo, the organisers of football pools, and the proprietors of every casino in the world, live on the losses of what Mr. Bevin has in mind when he talks of the profit motive. But this has as little to do with the system of economy built upon the necessity for profit as have the operations of the scab in the labour market. The economic function of the genuine speculator is, of course, a useful one, for it is he who by evening out the market saves us all from ups and downs and booms and slumps, which without him would be much more numerous and troublesome. Profit has been abolished in Russia, but the pure-minded Socialists in control of that unhappy country do not scruple to make State profits out of State lotteries maintained to satisfy the gambling instincts of their profitless people.

PART II: THE USES OF PROFIT

Quite apart from the consideration of how profits arise, whether there is really a profit motive, whether they constitute an addition to price, or even whether they are moral or immoral, there re-

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mains the other big side of the question, the uses to which profits are put, the things which they do, and the problem of whether these things could be done without the existence of profit.

One of the many functions of profit is the payment of losses. It is evident that there must be losses as well as profits. Nobody suggests that when a buyer pays 1*s.* for an article that 1*s.* can always have been made to provide the exact costs of the article, no more or less. If it provides more, there is profit; if it provides less, there is a loss. If, therefore, profits were abolished, some other plan would have to be devised by which the losses could be paid for. A very large proportion of these losses is incurred by the State, not only the losses which the State always makes when it enters into the realm of trade and industry, but such losses as are inevitable in the maintenance of criminals and prisoners, the provision for the insane, and so on. However regarded, these matters are losses, economic charges which produce no corresponding economic credits. . . .

Capital Formation

A still more difficult set of problems comes to mind when one considers that nearly all capital is provided out of profits. They are the main source from which capital can be secured. The socialist millennium in Russia has depended all along upon foreign capital, and would have collapsed years ago but for the folly, as I think, of other countries in providing the credits and facilities of capitalism for that degrading business. Capital is accumulated wealth, the product of work done, saved up and put aside for the purpose of providing the basis on which new enterprise can be founded. If profits are to be abolished, some new source must be found to provide capital, and those are not wanting who argue that that source can be found in public credit. They have however to meet the practical difficulty that, in all human experience so far, there is no such thing as public credit; there is only public debit. The talk about profits and credits has so monopolised the political vocabulary that there is no room left for discussion of losses or debits.

In the same category, profits are the only source from which to replace all the wear and tear and wastage associated with all human endeavour. Among the many troubles now germinating for the future is that which will arise when we go too far with the taxation and confiscation of profits calculated as the tax-gatherers now calculate them, without ade-

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quate reference to the costs of wear and tear and wastage, or the need for adequate reserves.

The basis of security which profit gives to any society should also be considered. If, for instance, the whole of society were dependent upon salaries and wages paid by the State, there would be little, if any, basis of security. There would be nothing to fall back upon, no reserves, and the risk of the collapse of the whole world would always be hanging over such a society. No such risk on such a scale can exist so long as we continue with the profit system.

Capital Encourages the Development of New Products Involving Risks

One other of the main functions of profit may be mentioned. It is the only way to provide for that speculation with new ideas which is the beginning and end of economic progress. It is altogether absurd to suppose that the public really knows in advance what it wants and that, by State or collective action working through research, that want can be supplied. This theory entirely overlooks the truth expressed in the title of the Law of Supply and Demand, which is something very different from the shallow notion of demand and supply. The public judges an article after it is put upon the market. The public has never demanded in advance of supply all the multifarious amenities which together make up civilisation and which it now enjoys. Voltaire put the truth in its simplest terms when he suggested that the first man to wear a shirt was probably burnt at the stake as a sorcerer. To come to modern times, it will be within the recollection of some of my readers that an endeavour was made to popularise two ideas at the same time, the one roller-skating and the other the moving pictures. Capital and labour plumped for roller-skating. Palaces for the practice of the sport were erected by the thousand and the moving picture was neglected. Stock Exchange floatations for roller-skating enterprises developed into a minor boom at the time when the Palace Theatre was the only concern to be found willing to experiment with the moving picture. The experience here was exactly my experience in the publishing trade. The good and the inferior were both supplied, the inferior had all the experts to recommend it, but the public judgment, not the first judgment, working gradually through the sense and intelligence of the individual, has left roller-skating on the scrap heap and has brought the moving picture to its present state of perfection.

Where would the internal combustion engine and aviation be

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today had it not been for the profit system? The Codys, the Wrights, and the Rolls were all regarded as cranks; some of them lost their lives pursuing their own "cranky" ideas. But one of the greatest of profit-owners in our time, the late Lord Wakefield, took another view, and spent a large proportion of his fortune, a fortune made entirely out of economy in oil, to pay the expenses of the Malcolm Campbells and the Amy Johnsons to whom belongs the credit for the present state of development in these matters.

Here again it is contrary to fact to say that the State or the Ministry of Aircraft Production could or would have done the same thing. In 1909 when Blériot first crossed the Straits of Dover, no politician would have had the courage to suggest the allocation of public money to be spent on what everybody regarded as a game. The notion that pigs might fly was the commonest of conversational illustrations of the wholly impossible.

There would, of course, be no charities without profit, no voluntary hospitals, indeed no hospitals at all, because the State has never yet initiated anything. The best that can be said is that it has sometimes stepped into an established market and taken it over. Charities are admitted to be dependent upon profit, an admission to which official sanction is given by special arrangements for the remission of taxation upon money given to charity. . . .

PART III: DEMOCRACY AND PROFIT

The Profit and Loss system is essentially the consumer's system. Human experience so far has failed to produce any other plan under which the consumer has complete freedom of choice and can command or reject at his sole whim or pleasure. We are all consumers, and if we accept the theory of the greatest good of the greatest number, any economic system controlled by consumers must give us all the benefit of its operations. Some consumers have advantages over others, as in Russia, where, as we have seen, the use of the motor car or any sort of luxury is the exclusive privilege of the official, for the simple reason that there are not enough motor cars to go all round and some process of selection is necessary. There must be inequalities in our country, unless we can visualise a state of affairs in which there are 46,000,000 portions of caviar and of everything else. The remedy for such inequality is to be found in two ways, either to increase the production of caviar or to abolish it altogether and thus

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deprive the Russian fishermen of employment.

I find a widespread feeling, somewhat vague at present, that by the application of brains, by planning, by organisation, by laws or by more committees, things could be so arranged as to eliminate profit and provide that the ample supplies of nature could be freely and equally at the service of all. The experience gained in the course of a war is no criterion as to what might be done in peace, but our war experiences should be helpful towards an understanding of this very common problem. We all know how the consumer has to be relegated to a subsidiary position; how the planning of supplies and the pooling of resources destroy quality, obliterate choice, increase cost, and diminish quantities.

Rationing . . . may be said to give us a little more equality and a lot less of everything else. . . . The Profit and Loss or consumer system will never give equality and it is as well to be quite clear and definite on that. Other systems may profess to offer equality but no scrap of evidence has ever yet appeared in support of the profession. What this consumer system has done and will continue to do, as an essential part of the search after economy and profit, is to produce an unending stream of new and better products, first of all for experiment by, or the service of, a small minority, and working down from them, finally for the service of all.

Pressure on Producers

There is the admitted objection that the Profit and Loss system maintains a constant pressure on the producers to produce as much as possible at the least possible expenditure of time and effort. It makes the producer the slave of the consumer. There are those who visualise a system under which we shall all work when and as it suits us, as we shall ourselves direct, in a self-governing democracy, and yet at the same time that we shall enjoy a full consumer life, having each of us prescriptive rights to our share of the general wealth. That proposition will not stand examination. If indeed it were a practical proposal, it would offer a life with no attractions to "man who is man." We cannot have it both ways, and it is good to be clear and definite on the point and remove from our minds unworthy thoughts of a life that is unobtainable and even if obtainable would not be worth living. The truth is that as producers we must be slaves to our consumer selves, or as consumers we must be slaves to our producer selves. There must be slavery, obligation, necessity,

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call it what you will, in any honourable and workable scheme of life. We must stand in the market place to be hired as producers, or must line up in the queue to be rationed as consumers. In the first arrangement there will always be more and more (not, of course, all that everybody wants), for general consumption, while in the second scheme there will be a steadily decreasing supply of everything, until in the end there is nothing to share but equality of poverty.

It will be evident from the foregoing that the economic system through which civilisation has been developed is essentially a democratic system. It evolved a practical universal suffrage, in theory at least, long before any politician thought of universal votes. Under it the command is vested in every individual. The Profit and Loss system makes for responsibility in the individual, any other system reduces the individual to a state in which no sense of responsibility is required or expected. Nobody, for instance, is responsible for anything in a bureaucratic system. No bureaucrat suffers any personal loss if things go wrong or if the public fail to take advantage of his services. Under the spur of profit and the threat of loss millions of men and women do accept a very real and personal responsibility for the maintenance of economy, expedition, and efficiency, out of which an ever higher standard for all is provided. Without Profit and Loss the quality and genius of all these people is put out of use, no others are invited to cultivate any sort of personal responsibility, and the general standard of life is of necessity lowered.

To sum up. The abolition of profit will bring about a universal state of loss. In the process, it will first of all abolish all economy, efficiency, and expedition; it will place the consumer in slavery; it will stop up the source of new capital and dispel all hope of progress. The very best that can happen if the antiprofit policy is pursued, is that we shall go on sharing the profits of the past until, they being exhausted, there is nothing more to share. The old trouble between the haves and the have-nots will then disappear, in the simplest of all possible ways, by turning us all into have-nots, with consequences that could only be understood by those who have lived in the Dark Ages following the political destruction of many previous civilisations.

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EDUCATION and the MARKET

OSCAR W. COOLEY

WHEN MY WIFE sends me to the supermarket to buy groceries, I pay for what I get and get what I pay for. The price of each item purchased is known to me and I agree to it. This is an exchange between two parties, each of whom knows exactly what he is getting and what he is giving up.

How different is the case with respect to the services of government! I use the public streets and roads, send my children to the public schools, am protected, presumably, by the local police and firemen and by the national armed forces. And periodically I pay taxes, or suffer them to be taken from me, either directly or indirectly (according to the Tax Foundation a third of my taxes are hopelessly hidden from sight in the prices of things I buy). Government services seldom are priced so that I pay for what I get or get what I pay for. How, then, am I to know whether I am getting my money's worth?

At the supermarket I can inspect each article, note the price, and decide whether it is a desirable purchase. My decision to buy a certain article signals the store manager to continue to stock it and the manufacturer to make more of it. My adverse decision, on the other hand, is a sign that the quality or design needs to be improved, the price lowered, or both. Thus, the production of food is "price-guided." Alas, there is no similar guide for the production of most government services.

It is true that market pricing might be difficult, if not impossible, for services such as police protection or court procedures. But this pricing difficulty does not apply to many others in the continually growing list of tax-supported services.

When we examine a specific example, such as elementary schools, we find that the enterprise was

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originally socialized, not because of a technical difficulty of pricing but because of the fear that, if the "goods" were openly priced and freely offered in the market, the consumers might not "buy" them. Education, it was argued, is a good of which everyone should partake, if not for his own sake, then for "society's" sake. Those who thus reason are not willing to leave to the individual consumer the question of whether he should buy education, what kind, and how much. While they talk democracy, they practice paternalism.

The Market Is Disappearing

This has long been the philosophy with respect to elementary and secondary education; increasingly it is being applied to college education. The press recently reported the case of 18-year-old Nancy Pass of Mississippi. Nancy wanted to go to the state university to study art, but her mother, who is divorced and living on payments from the father, felt that she could not afford this. The Supreme Court of Mississippi ruled that the father must increase his support payments by $90.00 a month to enable Nancy to go to college. Said Justice James G. Holmes: "College education is the duty which the parent not only owes to his child but the state as well."[1]

[1] *Newsweek*, April 4, 1960

Once this theory is accepted, it would appear only a matter of time until all intellectually qualified youngsters will be required to go to college. Increasingly, through education subsidies to veterans, easy government loans, and abundant scholarships, students and their parents are being relieved of the responsibility to pay for what they get in college. In short, the market in education is disappearing.

If we do not pay for what we get in education, have we any assurance that we shall get what we pay for? Once the market is destroyed – once getting is divorced from paying – there is really no way of comparing what one pays with what one gets.

Assume that this trend continues and that fifty years hence all American colleges and universities are socialized. John Smith's two boys will go to college (compulsory attendance) where they will enjoy free tuition, free books, free board and room – "free" everything. It is then likely that more than half of John's income will be taken in taxes, direct and indirect; and part of this take – nobody will be able to say just how much – will go to help pay the cost of running the government-owned colleges.

The colleges will be standardized, since all will have to meet

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uniform government specifications. There will be no incentive for one institution to be different from another since all will depend, not upon attracting students who pay their own way, but upon government appropriations. Hence, the John Smiths will have little if any basis for choosing one school rather than another – even if they are still permitted a choice. If the colleges do not teach what John Smith thinks ought to be taught, there will be nothing he can do – except write to his congressman.

The teachers and administrators also will have little choice. They will not need to produce education which satisfies students and parents; rather they will have to please bureaucrats and politicians. They will be civil servants, as the post office employees now are. They will not be responsible, except in an indirect and circuitous way, to those who use their services.

Who can believe that the quality of higher education would be improved by such a change? Unfortunately, we are moving in this direction.

Bargaining and Alternatives

The quality of any good or service depends on the relationship which prevails between producer and consumer. In a voluntary transaction, the producer must satisfy the consumer as to both quality and price, or else lose the sale; and the consumer in turn must satisfy the producer by paying an amount sufficient to keep him from turning his energies to some other field of production.

Both producers and consumers have alternatives. This is what gives them bargaining power – this is what makes a market.

Rather than suppressing the market, we should be perfecting it – freeing it, making more use of the principle of exchange. Rare, it seems, is the worker who understands the disadvantage of receiving part of his wages in "fringe benefits," who perceives that a cash dollar he can spend freely in the market is worth more than a dollar in any other form. The vogue of trading stamps further demonstrates how little we appreciate spendable cash over merchandise premiums. Money, after all, is a great invention; why not use it?

Albert S. J. Baster in *The Little Less*[2] says: "The depravity of taste in modern capitalistic societies is not due to the fact that life is overcommercialized but to the fact that life is not commercialized enough." We suffer not from too much but too little marketing. Consumers do not take the trouble to inform themselves of the "buys" that are available, and producers are not

[2] London: Methuen, 1947. p. 124.

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sufficiently aware of the alternative outlets for their energies and resources. The consumer relies on a Federal Trade Commission to protect him, while the worker reclines naively in the arms of his union officials. The consumer does not know what he is getting, nor does the producer know his opportunity costs.

When a new need arises, like the present need for more and better education, many turn to government to satisfy the need. Anyone who suggests that consumers can get better schools and colleges more quickly by digging down deep in their pockets and paying for them, directly and forthrightly, is considered a social antiquarian.

There Are Ways To Be Free

Supposedly, many young people are unable to pay the cost of college attendance. But the record shows that boys and girls from poor families have secured a college education, and some are doing it today. More could, if their parents were not taxed so heavily.

Many, lacking cash, have used their credit. Any young man or woman with the physique and mentality to do college work has great potential earning power. A loan to enable such a youth to attend college would seem to be a productive loan, even in the banker's sense of that term. If the youth cannot provide tangible security for such a loan, he surely can secure it with the signature of a parent or other relative. Where are the bankers who presumably want to preserve and strengthen the market economy? Here is a way in which they can well use their talents and resources to that end.

Higher education may be the most favorable field in which to halt the socializing trend. Private institutions are still operative in this field. Let private enterprise stand firm in the colleges and universities and youth will be enlisted in the cause of freedom. It should not be difficult for universities and colleges that are dedicated to freedom of thought to teach the value of freedom of action. But they must practice what they preach. And they must restore the market in education. ◆

IDEAS ON LIBERTY

John Stuart Mill

THE ONLY FREEDOM which deserves the name, is that of pursuing our own good in our own way, so long as we do not attempt to deprive others of theirs, or impede their efforts to obtain it.

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BEHIND THE CONSTITUTION

MOST Americans have heard, at some time or another in their lives, that a seventeenth century English gentleman named John Locke had something to do with inspiring the colonists who made the Revolution of 1776. He said something – did he not? – about the natural rights of every man to life, liberty, and property, and something about civil government being instituted to protect people in these rights. Jefferson, to be sure, dropped the word "property" from the Declaration of Independence, substituting for it a vaguer and more grandiloquent phrase, "the pursuit of happiness." Nevertheless, the Jeffersonian insistence on unalienable rights was straight out of the "party line of the American Revolution" as Samuel Adams and other patriots had lifted it from Lockean pamphleteering.

The conventional view of Locke, then, is that he was the first great formulator of limited government theory. In a sumptuous book called *The Christian History of the Constitution of the United States of America,*[1] this view is sustained by the commentary on Locke that is printed along with Locke's own second treatise or *Essay on Civil Government,* the essay itself being offered, with a pleasant gesture to antiquity, in the original type, spelling, and italics used in 1690. Reading through the essay, with its quaint small s's that look like f's, one sees no reason to quarrel with the idea that Locke, along with Montesquieu (also reprinted in *The Christian History*) was right behind James Madison in giving us the republic that Ben Franklin hoped we could keep. But when one picks up Willmoore Kendall's *John Locke and the Doctrine of Majority-Rule* (University of Illinois Press, 141 pp., $2.50), in which all the accepted views of Locke are turned

[1] Volume I, "The Development of Self-government." Introduction by Felix Morley; compiled by Verna M. Hall; edited by Joseph Allan Montgomery. The American Christian Constitution Press, 210 Post Street, San Francisco 8, California. 436 pp. $7.50. Available September.

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upside down, one's head begins to whirl.

Locke's "Second Treatise"

It is Professor Kendall's opinion that Locke, far from being a champion of limited government and unalienable rights, was a believer in the tyranny of the majority. The idea that a mystic "general will" is created whenever 51 per cent of the voting population agrees to something is ordinarily attributed to Rousseau. But Kendall says that Locke was the first perpetrator of this theory, and he is doubtful, furthermore, that Rousseau ever subscribed to it in any meaningful way. In other words, Locke was the first democratic totalitarian; the Frenchman is absolved of the blame for clearing the way for Robespierre and Hitler!

Inasmuch as Locke did say that "when any number of men have . . . consented to make one community . . . . the majority have a right to act and conclude the rest," Kendall has some sort of case for his view. He reaches his conclusion by a rigorous textual analysis of the *Second Treatise*, excluding all other works and words by Locke as irrelevant to his purpose. Naturally, the phrase, "conclude the rest," would have the meaning which Kendall attaches to it in any area which comes within the sphere in which government is permitted, by compact, to operate. But Locke, as a "natural law" philosopher, had firm opinions about prior individual rights which no human being in his sane mind would ever cede to government if he were truly consulted in the making of a compact. These opinions may not be explicit in the *Second Treatise*, which, although it is not a "livre de circonstance," was written to clear Locke's own mind about the political troubles of the English realm in the last days of the Stuarts. But they are certainly implicit in it.

Majorities Can Be Wrong

Kendall argues that Locke fell into the majoritarian tyranny trap when he assumed that 51 per cent of the people could be trusted to see truths about human nature that are, in Jefferson's phrase, "self-evident." Since we know, from the history of a Germany which voted in the early nineteen thirties to extinguish its own democracy, that 51 per cent of a population can be stupid, Locke's faith in the continuing good sense of the majority may seem a bit utopian. Though there are natural laws that proceed from the basic constitution of man, not everyone is given to understand them – and in times of emotional upset man's misapprehension of his own na-

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ture can be disastrous. Far from denying this, however, Locke considered that the very inability of the human being to understand the workings of natural law in all circumstances was one reason why government should be limited in its role to acting as policeman, dispenser of justice, and military defender of the realm.

Locke, as everyone knows, wrote at a time when the English people were engaged in their century-long effort to put limitations on the power of the crown. The *Second Treatise,* which was written sometime between 1681 and the date of the final overthrow of James II in 1688, did not concern itself with the possibility that the House of Commons might, with the passage of time, become as tyrannical as any monarch. After all, in an England which still had a judiciary (Coke on *Magna Charta* was well known to Locke's contemporaries) and a House of Lords, there were formidable obstacles to any assumption of totalitarian power by a House of Commons majority. Moreover, Locke must have reckoned with the continuance of the king's veto even though he wished to curb the crown's role in the making of positive law. There was no particular reason in the decade of the sixteen eighties for thinking that Commons would ever gain the power to be a monster in its own right. Lloyd George, after all, was still more than two centuries over the historical horizon; and no Englishman of the seventeenth century could have possibly prophesied the emergence of a Sidney Webb.

Religious Tolerance

What Locke didn't put into his *Second Treatise* he put into his letters on toleration and into a preliminary work on civil government which he wrote as early as 1667. Locke was originally in favor of the Stuart Restoration for reasons which Kendall fails to mention: he considered that the Puritans, as "popular asserters of public liberty," had turned out to be "the greatest engrossers of it." Said Locke at the time: "A general freedom is but a general bondage . . . all the freedom I can wish my country or myself is, to enjoy the protection of those laws which the prudence and providence of our ancestors established." Thus Locke took off from an antimajoritarian position which Kendall, of all people, should be able to understand.

The Locke argument of 1667 was based on a premise that government, as derived from the people, could only have the power necessary to "their own preservation." It followed from this that there was no necessity for "laws to any

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other end but only for the security of the government and protection of people in their lives, estates, and liberties." The corollary of such thinking was admirably stated by Locke himself when he asked, in his defense of religious tolerance, "Can it be reasonable that he that cannot compel me to buy a house should force me his way to venture the purchase of heaven?" In other words, government had no more right to meddle with a man's religion than it had to meddle in affairs of the market. True enough, Locke did not advocate giving unfettered scope to Catholics. But he thought of Catholics as being unwilling to abide by the terms of a social compact which reserved freedom in religious matters to the people. It was the mundane politics of seventeenth century Catholicism that bothered him, not purely religious aspects of the faith.

Unlike Kendall, the American colonists of the 1776 generation assumed that Locke meant what he said when he argued that civil government "relates only to men's civil interests . . . . and hath nothing to do with the world to come." And they took him at his word when he argued, furthermore, that "political society is instituted for no other end, but only to secure every man's possessions of the things of this life." When a man says, as Locke did say, that men in the marketplace are "not to be compelled . . . . either by law or force," how can such a thinker be termed anything else than an advocate of limited government?

No Sure Guarantees Against Encroachments of Government

Kendall is exceedingly harsh with Locke because the *Second Treatise* can offer no guarantee that "society," as represented by a 51 per cent majority, will not break faith with its unborn children who, even before they come into the world, are entitled to the natural rights of their forebears. But who can offer any such guarantee? Kings, aristocracies, oligarchs, theocrats, and judges have all broken faith with both their children and their ancestors in the past. Kendall might retort that religious revelation is the proper source of political rights and duties. But who is to guard the people against the possibility that revelation itself won't be misinterpreted and misconstrued by the lords spiritual? There is no way of guaranteeing a society against the encroachments of government short of making it extremely difficult for a majority to change the basic law of the land. When the House of Lords and the king's veto were realities in Britain, the possibility that the people would tyr-

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annize over themselves was held firmly in check. And when the check-and-balance system in the U.S. was supported by a Constitution which severely limited the federal taxing power, Washington, D.C., could not easily invade the reserved rights of the individual or the reserved powers of the big regional localities and the states.

Ideas Shape Our Destinies

Just how wise our ancestors were in translating Locke and his French spiritual ally, Montesquieu, into American terms is apparent in the commentaries reprinted in *The Christian History of the Constitution of the United States*. In this beautiful job of bookmaking the basic texts which shaped the thinking of the Founding Fathers are interspersed with long excerpts taken from older historians who believed that it is the "encroachment of ideas" rather than "economic materialism" that shapes our destinies. To a generation which has not been grounded in such things as the evolution of the English Bible, the commentaries of Blackstone, or John Fiske writing on Thomas Hooker's ideas for the Connecticut constitution of 1639, to say nothing of Locke, Montesquieu, or Bradford's history of the Plymouth Colony, this beautiful book will come with the force of revelation.

THE FREUDIAN ETHIC, An Analysis of the Subversion of American Character

By Richard LaPiere. Duell, Sloan and Pearce. 299 pp. $5.00

Reviewed by Frank Chodorov

WHAT CAUSES change in social values? It is impossible, says the author of *The Freudian Ethic*, to trace such change to a simple or singular cause; new patterns of thought and behavior are probably the result of a complex of influences. But, that the ideas promulgated by men of intellectual enterprise do have a bearing on the complex of values, sentiments, and beliefs of a period is a certainty. The current vogue attained by the teachings of Sigmund Freud, the Viennese psychoanalyst, indicates that they have had some influence in shaping the Western ethic during the past half century.

For nearly two hundred years previous to the advent of Freudianism, Western social customs and beliefs emerged from what Max Weber, the German sociologist, called the Protestant ethic. He used the word "ethic" to designate a people's character or ideals of character, rather than a code of morals. He called it the Protestant ethic because it coincided with the Protestant movement, not because the Reformation alone accounts

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for the change in social manners and thought. Though the Protestant religion, by doing away with entrenched habits of thought, did provide a favorable climate for the acceptance of the new ethic, so did the Industrial Revolution that began about the same time.

Self-responsible Man

At any rate, the Protestant ethic rested on a concept of the nature of man: he is endowed with free will and can therefore be held accountable for his acts; he is a reasoning animal and therefore capable of mastering his environment and changing it to suit his circumstances. Since man, in this view, is self-reliant and self-responsible, the worth of the individual, to his fellow men and in the sight of God, is measured by his accomplishments. The good man is not one who passively submits to the hardships of nature, or to ritualistic compunctions, but is rather a man of action, strongly motivated, and has both the courage and the confidence to seek the satisfaction of his desires.

This view of man's nature is inherent in the capitalistic mode of production, the elements of which appeared in Western Europe long before the Protestant Reformation. For capitalism, with its market place techniques, rests its case on the presumption of free will; it presupposes individual enterprise, with the rewards of enterprise following automatically, and the capacity and the willingness of the individual to abide by his promises. But capitalism, and the Protestant ethic, can function only in a climate of freedom; the individual cannot be held responsible for his acts unless he is free to choose his course. He must be free not only from undue political restraints, but also from inhibitory customs and stultifying class distinctions. Since he is to be judged only by his achievements, he must not be encumbered with rituals that enthrall him nor hindered by political yokes.

Initiative and Enterprise Implement the Protestant Ethic

In America, the Protestant ethic found expression in the Declaration of Independence and in the Constitution which tried to implement it, in the homilies of Ben Franklin, and in the moral values enunciated in the McGuffey readers. But, this propaganda was effective only because of the high degree of initiative and enterprise exercised by Americans in the building of a nation. They explored the West, instituted new technological and organizational methods, exploited new inventions, and altogether subscribed to the idea that man is a self-reliant and self-

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responsible being. They asked for no favors from society, but rather held to the notion that they, individually, made society what it was.

Along came Freud, toward the end of the nineteenth century. Putting aside his novel ideas on the composition of man's psyche, ideas which have no basis in empirical knowledge and might well be placed in the category of pure fantasy, and putting aside the therapeutic value of his psychoanalysis, which there is no objective way of judging, we come to his notion of the nature of man, of which he made much in his writings. This is his principal contribution, if it may be so called, to sociology. The human being, according to Freud, is biologically ill-equipped to face the world into which he is born. Though Freud does not tell us what kind of world he could face with some hope of finding the happiness to which he is entitled, and which he craves, one surmises from Freud's writings that it should embody the warmth and comfort of the womb. But, the world is not so constituted, the new-born babe experiences a traumatic shock even at birth, and from then on, until death relieves him of this unhappy existence, he suffers from neuroses induced by the conflict of his nature and his environment. Accordingly, we are all neurotics in various degrees.

Adjust and Conform

Society is always at fault, says Freud, though he refrains from pointing out that society is composed of people, the neurotics; from his usage, society becomes something greater than the sum total of its parts. Very little can be done to correct the faults of society, so that the best the individual can do to make his struggle through life bearable is to make his peace with it. This is the doctrine of adjustment, so popular these days, not only with Freudians but also with many who have been unconsciously influenced by Freudianism – the psychologists, the educationists, the social workers, the do-gooders. It is a doctrine of negation, discouraging initiative and enterprise, and removing the hope of a better life through action. It robs the individual of all the dignity with which the Protestant ethic endowed him.

Though the Freudian idea of the nature of man – or, in fact, any of his ideas – cannot be validated by scientific investigation, it has been made valid by faith. It is this faith in Freudianism that has given rise to the Freudian ethic, now being institutionalized in the West, which promises to replace the Protestant ethic. Thus, we find in every field of endeavor an inclination to modify society to the end that the conflict between it and

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the individual be mitigated. In the management of the home, parents are inclined, thanks to the propaganda of the Freudians, to relieve the child of any responsibility to his family or even himself; this is the doctrine of the permissive home. In education, Freudianism has implemented "progressive" education, in which the child is not subjected to any of the disciplines of learning and is permitted to do very much as he pleases in class. In jurisprudence, the tendency is to blame society for the crimes committed by individuals, especially in the case of juvenile malefactors; in negligence cases, it is customary to award the injured person some recompense from society for his injury, even though the fault may be entirely his own. Our whole system of social security is based on the Freudian ethic, and so is our rubric of political controls. Society owes everybody some sort of a living, regardless of any contribution he may or may not make to the national welfare. As a result, the nation is drifting into a state of mendicancy, and the American character is deteriorating.

A Convincing Relationship

This is altogether a devastating and frightening book. And withal, it is well-written, easy to read, and holds the reader's attention throughout. Even though the author warns us several times that this change in the pattern of American thought and behavior cannot be entirely ascribed to Freudianism, the case for causation is quite convincing. Yet, this reviewer suggests that perhaps a more basic cause must be located in our democratic political system, and that the changes wrought in the name of democracy found support in this novel idea of the nature of man. Thus, "progressive" education came into vogue because of our tax-supported schools; democracy called for universal education, and because of the natural differences in the capacity of youngsters, educating everybody meant a lowering of the standard to fit the minds of the mediocre – which is in line with Freudianism. Thus, too, with social security; the politicians found it a good way of getting votes, and after the system became institutionalized, the Freudians made much of it. Anyhow, regardless of whether Freudianism is causative or not, it certainly has contributed to the deterioration of American values, and if it continues to exert influence, it will bring about a stagnant society. ◆

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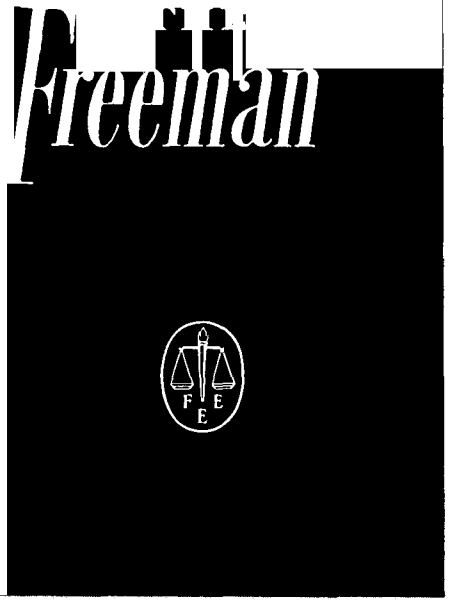

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